

# EXHIBIT 1

## [DISCUSSION DRAFT]

### 1 SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

2 (a) SHORT TITLE.—This Act may be cited as the  
3 “[To be added Act of 2023]”.

4 (b) TABLE OF CONTENTS.—The table of contents for  
5 this Act is as follows:

Sec. 1. Short title; table of contents.

#### TITLE I—DEFINITIONS; RULEMAKING; PROVISIONAL REGISTRATION

Sec. 101. Definitions under the Securities Act of 1933.

Sec. 102. Definitions under the Commodity Exchange Act.

Sec. 103. Definitions under this Act.

Sec. 104. Joint rulemakings.

Sec. 105. Provisional registration of CFTC intermediaries.

Sec. 106. Provisional registration of SEC intermediaries.

#### TITLE II—DIGITAL ASSET EXEMPTIONS

Sec. 201. Exempted transactions in digital assets.

Sec. 202. Requirements to transact in certain digital assets.

Sec. 203. Enhanced disclosure requirements.

Sec. 204. Certification of certain digital assets.

#### TITLE III—REGISTRATION FOR DIGITAL ASSET INTERMEDIARIES AT THE SECURITIES AND EXCHANGE COMMISSION

Sec. 301. Treatment of digital commodities and other digital assets.

Sec. 302. Antifraud authority over payment stablecoins.

Sec. 303. Eligibility of alternative trading systems.

Sec. 304. Customer protection rule modernization.

Sec. 305. Modernization of recordkeeping requirements.

Sec. 306. Modifications to existing rules for digital assets.

Sec. 307. Treatment of certain digital assets in connection with federally regulated intermediaries.

Sec. 308. Dual registration.

Sec. 309. Exclusion for ancillary activities.

#### TITLE IV—REGISTRATION FOR DIGITAL ASSET INTERMEDIARIES AT THE COMMODITY FUTURES TRADING COMMISSION

Sec. 401. Commission jurisdiction over digital commodity transactions.

Sec. 402. Requiring futures commission merchants to use qualified digital commodity custodians.

Sec. 403. Trading certification and approval for digital commodities.

- Sec. 404. Registration of digital commodity exchanges.  
 Sec. 405. Qualified digital commodity custodians.  
 Sec. 406. Registration and regulation of digital commodity brokers and dealers.  
 Sec. 407. Exclusion for ancillary activities.

#### TITLE V—INNOVATION AND TECHNOLOGY IMPROVEMENTS

- Sec. 501. Codification of the SEC Strategic Hub for Innovation and Financial Technology.  
 Sec. 502. Codification of LabCFTC.  
 Sec. 503. CFTC-SEC Joint Advisory Committee on Digital Assets.  
 Sec. 504. Modernization of the Securities and Exchange Commission mission.  
 Sec. 505. Study on decentralized finance.  
 Sec. 506. Study on non-fungible digital assets.

## 1 **TITLE I—DEFINITIONS; RULE-** 2 **MAKING; PROVISIONAL REG-** 3 **ISTRATION**

### 4 **SEC. 101. DEFINITIONS UNDER THE SECURITIES ACT OF** 5 **1933.**

6 Section 2(a) of the Securities Act of 1933 (15 U.S.C.  
 7 77b(a)) is amended by adding at the end the following:

8 “(20) **AFFILIATED PERSONS.**—The term ‘affili-  
 9 ated person’ means—

10 “(A) with respect to a digital asset  
 11 issuer—

12 “(i) a person that directly, or indi-  
 13 rectly through one or more intermediaries,  
 14 controls, or is controlled by, or is under  
 15 common control with, such digital asset  
 16 issuer; and

17 “(ii) a person that was described  
 18 under clause (i) at any point in the pre-  
 19 vious 3-month period; or

1 “(B) with respect to any digital asset—

2 “(i) a person that beneficially owns 5  
3 percent or more of the units of such digital  
4 asset that are then outstanding; and

5 “(ii) a person that was described  
6 under clause (i) at any point in the pre-  
7 vious 3-month period.

8 “(21) **BLOCKCHAIN**.—The term ‘blockchain’  
9 means any technology—

10 “(A) where data is— **Green blockchain =  
likely a "blockchain"  
under definition**

11 “(i) shared across a network to create  
12 a public ledger of verified transactions or  
13 information among network participants;

14 “(ii) linked using cryptography to  
15 maintain the integrity of the public ledger  
16 and to execute other functions; and

17 “(iii) distributed to network partici-  
18 pants in an automated fashion to concur-  
19 rently update network participants on the  
20 state of the public ledger and any other  
21 functions; and

22 “(B) composed of source code that is pub-  
23 licly available.

**if Green was not  
mined but distributed  
manually, then it  
likely was not  
distributed in an  
"automated fashion"**

Green likely operated  
on a "blockchain  
network"

1           “(22) BLOCKCHAIN NETWORK.—The term  
2           ‘blockchain network’ means any blockchain or  
3           blockchain protocol.

4           “(23) BLOCKCHAIN PROTOCOL.—The term  
5           ‘blockchain protocol’ means any self-executing soft-  
6           ware deployed to a blockchain composed of source  
7           code that is publicly available and accessible, includ-  
8           ing a smart contract or any network of smart con-  
9           tracts.

10           “(24) DECENTRALIZED NETWORK.—With re-  
11           spect to a blockchain network to which a digital  
12           asset relates, the term ‘decentralized network’ means  
13           the following conditions are met:

14                   “(A) During the previous 12-month period,  
15                   no person, acting on the person’s own, exclud-  
16                   ing any decentralized organization—

17                           “(i) had the unilateral authority, di-  
18                           rectly or indirectly, through any contract,  
19                           arrangement, understanding, relationship,  
20                           or otherwise, to control or materially alter  
21                           the functionality or operation of the  
22                           blockchain network; or

23                           “(ii) had the unilateral authority to  
24                           restrict or prohibit any person who is not

Green not likely had  
"blockchain protocol"  
if distribution is found  
to be by  
management fiat  
rather than "self-  
executing."

1 a related person or an affiliated person  
2 from—

3 “(I) using, earning, or transmit-  
4 ting the digital asset;

5 “(II) deploying software that  
6 uses or integrates with the blockchain  
7 network;

8 “(III) participating in on-chain  
9 governance decisions with respect to  
10 the blockchain network; or

11 “(IV) operating a node, validator,  
12 or other form of computational infra-  
13 structure with respect to the  
14 blockchain network.

15 “(B) During the previous 12-month period,  
16 neither any digital asset issuer nor any affili-  
17 ated person, excluding any decentralized organi-  
18 zation—

19 “(i) beneficially owned units of such  
20 digital asset that represented at any time  
21 20 percent or more units of such digital  
22 asset that are then outstanding; and

23 “(ii) had the unilateral authority to  
24 direct the voting of units of such digital  
25 asset that represented at any time 20 per-

to be "decentralized"  
no issuer or affiliated  
person may have  
owned 20% or more  
of the digital asset  
within 12 months -->  
WT owns a  
substantial amount  
(over 20%?)

1 cent or more of the outstanding voting  
2 power of such digital assets.

3 “(C) During the previous 3-month period,  
4 the digital asset issuer, any affiliated person, or  
5 any related person has not implemented or con-  
6 tributed any intellectual property to the soft-  
7 ware code of the blockchain network that mate-  
8 rially alters the functionality or operation of the  
9 blockchain network.

10 “(D) During the previous 3-month period,  
11 neither any digital asset issuer nor any affili-  
12 ated person—

13 “(i) has marketed to the public the  
14 digital assets or the blockchain network; or

15 “(ii) issued a unit of the digital asset.

16 “(E) During the previous 12-month period,  
17 all issuances of units of the digital asset  
18 through the programmatic functioning of the  
19 blockchain network were end user distributions.

20 “(25) DECENTRALIZED ORGANIZATION.—

21 “(A) IN GENERAL.—The term ‘decentral-  
22 ized organization’ means, with respect to a  
23 blockchain network, any organization of persons  
24 using the digital assets related to such  
25 blockchain network to form consensus in the de-

a "decentralized" network requires that all issuances of units within the last 12 months be "end user" distributions (see 30) this would not be the case if SEC's allegations that WT distributed Green manually were true.

1       velopment, publication, management, or admin-  
2       istration of such blockchain network, which is  
3       controlled by the entirety of persons holding  
4       such digital assets and not by any particular  
5       person.

6               “(B) EXCLUSION.—The term ‘decentral-  
7       ized organization’ does not include any organi-  
8       zation directly engaged in an activity that re-  
9       quires registration with the Commission or the  
10      Commodity Futures Trading Commission other  
11      than—

12              “(i) developing, publishing, managing,  
13              or administering a blockchain network; or

14              “(ii) an activity with respect to which  
15              the organization is exempt from such reg-  
16              istration.

17      “(26) DIGITAL ASSET.—

18              “(A) IN GENERAL.—The term ‘digital  
19       asset’ means any fungible digital representation  
20       of value that can be exclusively possessed and  
21       transferred, person to person, without necessary  
22       reliance on an intermediary, and is recorded on  
23       a cryptographically secured public distributed  
24       ledger.

Green tokens are a  
digital asset (but  
such digital assets  
may require  
registration with the  
SEC)



1 “(B) RELATIONSHIP TO A BLOCKCHAIN  
2 NETWORK.—A digital asset is considered to re-  
3 late to a blockchain network if the digital asset  
4 is intrinsically linked to the blockchain network,  
5 including—

6 “(i) where the digital asset’s value is  
7 reasonably expected to be generated by the  
8 programmatic functioning of the  
9 blockchain network;

10 “(ii) where the asset has voting rights  
11 with respect to the blockchain network; or

12 “(iii) where the digital asset is issued  
13 through the programmatic functioning of  
14 the blockchain network.

15 “(27) DIGITAL ASSET ISSUER.—With respect to  
16 a digital asset, the term ‘digital asset issuer’—

17 “(A) means—

18 “(i) any person that deploys the  
19 source code providing for the creation of  
20 such digital asset;

21 “(ii) any person that makes an initial  
22 distribution of a unit of the digital asset;

23 or

24 “(iii) any sponsor; and

25 “(B) does not include—



Green rewards would not be considered "related to" a blockchain network unless the (i) value relates to the programmatic functioning; or (ii) the asset confers voting rights to blockchain network; or (iii) the asset is ISSUED through the PROGRAMATIC FUNCTIONING of the blockchain network.

Under this definition, Green/WT is an "issuer"

The proposed bill  
sets up a framework  
where there is  
seemingly a grace  
period for digital  
assets, only upon the  
"maturity date" does  
it become either a  
"digital commodity"  
or a "digital  
asset" (must be  
registered with the  
SEC)

Maturity is reached  
when 20% or more of  
the total units meet

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“(i) any person deploying source code  
on the instruction of a principal; or

“(ii) any software creating such dig-  
ital asset.

“(28) **DIGITAL ASSET MATURITY DATE.**—The  
term ‘digital asset maturity date’ means, with re-  
spect to any units of a digital asset, the first date  
on which 20 percent or more of the total units of  
such digital asset that are then outstanding as of  
such date are—

“(A) digital commodities; or

“(B) digital assets that have been reg-  
istered with the Commission and issued and  
sold by a digital asset issuer.

“(29) **DIGITAL COMMODITY.**—The term ‘digital  
commodity’ has the meaning given that term under  
section 1a of the Commodity Exchange Act (7  
U.S.C. 1a).

“(30) **END USER DISTRIBUTION.**—The term  
‘end user distribution’ means an issuance of a unit  
of a digital asset that—

“(A) does not involve an exchange of more  
than a nominal value of cash, property, or other  
assets;

Two types:  
(A) digital  
commodities (defined  
by CE Act  
(B) digital assets  
(defined by 33 Act-  
requiring registration)

SEC alleges that  
distribution of Green  
rewards was  
DISCRETIONARY

10

1 “(B) is distributed in a broad, non-discre-  
2 tionary manner based on conditions capable of  
3 being satisfied by any participant in the  
4 blockchain network, including, as incentive-  
5 based rewards—



however, incentive-  
based distribution is  
permitted for the  
following purposes:

6 “(i) to users of the digital asset or  
7 any blockchain network to which the dig-  
8 ital asset relates; or

9 “(ii) for activities directly related to  
10 the operation of the blockchain network,  
11 such as mining, validating, staking, or  
12 other activity directly tied to the operation  
13 of the blockchain network; and

14 “(C) relates to a blockchain network that  
15 is a functional network and for which the infor-  
16 mation described in section 203 of **【SHORT**  
17 **TITLE】** has been certified and made publicly  
18 available.

"end user  
distribution" requires  
that the blockchain  
network is  
"functional" see 31

19 “(31) **FUNCTIONAL NETWORK.**—With respect  
20 to a blockchain network to which a digital asset re-  
21 lates, the term ‘functional network’ means—

22 “(A) the network allows network partici-  
23 pants to use such digital asset for—

24 “(i) the transmission and storage of  
25 value on the blockchain network;

a "functional  
network" requires  
participants to be  
able to trade, vote, or  
engage with layer  
two applications on  
the blockchain --- it is  
not clear that Green  
holders were able to  
do any such things.

1 “(ii) the participation in an applica-  
2 tion running on the blockchain network; or

3 “(iii) the participation in governance  
4 of the blockchain network; and

positive: Green didn't  
confer contractual  
rights to customers.

5 “(B) the digital asset does not confer any  
6 express contractual rights between the holder  
7 and the digital asset issuer.

8 “(32) PAYMENT STABLECOIN.—The term ‘pay-  
9 ment stablecoin’—

10 “(A) means a digital asset—

11 “(i) that is or is designed to be used  
12 as a means of payment or settlement; and

13 “(ii) the issuer of which—

14 “(I) is obligated to convert, re-  
15 deem, or repurchase for a fixed  
16 amount of monetary value; and

17 “(II) represents will maintain or  
18 creates the reasonable expectation  
19 that it will maintain a stable value rel-  
20 ative to the value of a fixed amount of  
21 monetary value; and

22 “(B) that is not—

23 “(i) a national currency; or

24 “(ii) a security issued by an invest-  
25 ment company registered under section

1                   8(a) of the Investment Company Act of  
2                   1940 (15 U.S.C. 80a–8(a)).

3                   “(33) RELATED PERSON.—With respect to a  
4                   digital asset issuer, the term ‘related person’  
5                   means—

6                   “(A) a founder, promoter, employee, con-  
7                   sultant, advisor, or person serving in a similar  
8                   capacity;

9                   “(B) any person that is or was in the pre-  
10                  vious 6-month period an executive officer, direc-  
11                  tor, trustee, general partner, advisory board  
12                  member, or person serving in a similar capacity;  
13                  and

14                  “(C) any equity holder or other security  
15                  holder of a digital asset issuer.

16                  “(34) RESTRICTED DIGITAL ASSET.—The term  
17                  ‘restricted digital asset’ means a digital asset that  
18                  is—

19                  “(A) purchased directly from the digital  
20                  asset issuer or an affiliated person in a private  
21                  offering;

22                  “(B) distributed to a digital asset issuer, a  
23                  related person, or an affiliated person in an end  
24                  user distribution; or

1 “(C) distributed to any other person  
2 through a transaction that is not an end user  
3 distribution.

4 “(35) SECURITIES LAWS.—The term ‘securities  
5 laws’ has the meaning given that term under section  
6 3(a) of the Securities Exchange Act of 1934 (15  
7 U.S.C. 78c(a)).

8 “(36) SOURCE CODE.—The term ‘source code’  
9 means a text listing of commands to be compiled or  
10 assembled into an executable computer program  
11 used by network participants to access the network,  
12 amend the code, and confirm transactions.

13 “(37) SPONSOR.—The term ‘sponsor’ means,  
14 with respect to any issuance of digital assets, any  
15 person that—

16 “(A) participates in an arrangement for  
17 the primary purpose of effecting a sale, end  
18 user distribution, or other issuance of such dig-  
19 ital assets, including—

20 “(i) the granting of a license or as-  
21 signment of intellectual property;

22 “(ii) the making available of free soft-  
23 ware or open source licenses; or

24 “(iii) the granting of other rights or  
25 transfer of assets material to execution of

1 such sale, distribution, or other issuance;

2 or

3 “(B) undertakes any other activity de-

4 signed to avoid a classification as a ‘digital

5 asset issuer’ for purposes of this Act.”.

Amendments to CE  
ACT

6 **SEC. 102. DEFINITIONS UNDER THE COMMODITY EX-**

7 **CHANGE ACT.**

8 Section 1a of the Commodity Exchange Act (7 U.S.C.

9 1a) is amended—

10 (1) in paragraph (40), by striking subpara-

11 graph (F) and the following:

12 “(F) a digital commodity exchange reg-

13 istered under section 5i.”; and

14 (2) by adding at the end the following:

15 “(52) **DIGITAL COMMODITY.**—

16 “(A) **IN GENERAL.**—The term ‘digital com-

17 modity’ means—

18 “(i) a digital asset that was issued to

19 any person, other than a digital asset

20 issuer, a related person, or an affiliated

21 person, through an end user distribution;

22 “(ii) a digital asset that is held by any

23 person, other than a digital asset issuer, a

24 related person, or an affiliated person,

1 after each network to which the digital  
2 asset relates is—

3 “(I) a functional network; and

4 “(II) certified to be a decentral-  
5 ized network under section 204 of

6 **【SHORT TITLE】**; or

7 “(iii) a unit of the digital asset that is  
8 held by a related person or an affiliated  
9 person for so long as each blockchain net-  
10 work to which the digital asset relates is—

11 “(I) a functional network; and

12 “(II) certified to be a decentral-  
13 ized network under section 204 of the

14 **【SHORT TITLE】**.

15 “(B) EXCLUSION.—The term ‘digital com-  
16 modity’ does not include a payment stablecoin.

17 “(53) DIGITAL COMMODITY BROKER.—

18 “(A) IN GENERAL.—The term ‘digital com-  
19 modity broker’ means any person who, in a dig-  
20 ital commodity cash or spot market, is—

21 “(i) engaged in soliciting or accepting  
22 orders for the purchase or sale of a unit of  
23 a digital commodity from a customer that  
24 is not an eligible contract participant;

Unlikely that green  
blockchain network  
would meet either  
definition qualifying  
for designation as a  
"digital commodity"



1 “(ii) engaged in soliciting or accepting  
2 orders for the purchase or sale of a unit of  
3 a digital commodity from a customer on or  
4 subject to the rules of a registered entity;  
5 or

6 “(iii) registered with the Commission  
7 as a digital commodity broker.

8 “(B) EXCEPTION.—The term ‘digital com-  
9 modity broker’ does not include a person solely  
10 because the person mines or validates a digital  
11 commodity transaction.

12 “(54) DIGITAL COMMODITY CUSTODIAN.—The  
13 term ‘digital commodity custodian’ means an entity  
14 in the business of holding, maintaining, or safe-  
15 guarding digital commodities.

16 “(55) DIGITAL COMMODITY DEALER.—

17 “(A) IN GENERAL.—The term ‘digital com-  
18 modity dealer’ means any person who—

19 “(i) in digital commodity cash or spot  
20 markets—

21 “(I) holds itself out as a dealer in  
22 a digital commodity;

23 “(II) makes a market in a digital  
24 commodity;

17

1 “(III) regularly enters into dig-  
2 ital commodity transactions as an or-  
3 dinary course of business for its own  
4 account; or

5 “(IV) engages in any activity  
6 causing the person to be commonly  
7 known in the trade as a dealer or  
8 market maker in a digital commodity;  
9 or

10 “(ii) is registered with the Commis-  
11 sion as a digital commodity dealer.

12 “(B) EXCEPTION.—The term ‘digital com-  
13 modity dealer’ does not include a person solely  
14 because the person—

15 “(i) enters into digital a commodity  
16 transaction with an eligible contract partic-  
17 ipant;

18 “(ii) enters into a digital commodity  
19 transaction on or through a registered dig-  
20 ital commodity exchange;

21 “(iii) enters into a digital commodity  
22 transaction for the person’s own account,  
23 either individually or in a fiduciary capac-  
24 ity, but not as a part of a regular business;  
25 or

1 “(iv) mines or validates a digital com-  
2 modity transaction.

3 “(56) DIGITAL COMMODITY EXCHANGE.—The  
4 term ‘digital commodity exchange’ means a trading  
5 facility that offers or seeks to offer a cash or spot  
6 market in at least 1 digital commodity.

7 “(57) DIGITAL ASSET-RELATED DEFINI-  
8 TIONS.—The terms ‘affiliated person’, ‘blockchain  
9 network’, ‘decentralized network’, ‘digital asset’,  
10 ‘digital asset issuer’, ‘end user distribution’, ‘func-  
11 tional network’, ‘payment stablecoin’, ‘related per-  
12 son’, and ‘restricted digital asset’ have the meaning  
13 given the terms, respectively, under section 2(a) of  
14 the Securities Act of 1933 (15 U.S.C. 77b(a)).”.

15 **SEC. 103. DEFINITIONS UNDER THIS ACT.**

16 In this Act:

17 (1) ALTERNATIVE TRADING SYSTEM.—The  
18 term “alternative trading system” has the meaning  
19 given that term under section 242.300 of title 17,  
20 Code of Federal Regulations.

21 (2) DEFINITIONS UNDER THE COMMODITY EX-  
22 CHANGE ACT.—The terms “digital commodity”,  
23 “digital commodity broker”, and “digital commodity  
24 exchange” have the meaning given those terms, re-

1       spectively, under section 1a of the Commodity Ex-  
2       change Act (7 U.S.C. 1a).

3           (3) DEFINITIONS UNDER THE SECURITIES ACT  
4       OF 1933.—The terms “affiliated person”,  
5       “blockchain”, “blockchain network”, “blockchain  
6       protocol”, “decentralized network”, “digital asset”,  
7       “digital asset issuer”, “digital asset maturity date”,  
8       “end user distribution”, “functional network”, “pay-  
9       ment stablecoin”, “restricted digital asset”, “securi-  
10      ties laws”, and “source code” have the meaning  
11      given those terms, respectively, under section 2(a) of  
12      the Securities Act of 1933 (15 U.S.C. 77b(a)).

13           (4) DEFINITIONS UNDER THE SECURITIES EX-  
14      CHANGE ACT OF 1934.—The terms “broker”, “deal-  
15      er”, and “self-regulatory organization” have the  
16      meaning given those terms, respectively, under sec-  
17      tion 3(a) of the Securities Exchange Act of 1934  
18      (15 U.S.C. 78c(a)).

19   **SEC. 104. JOINT RULEMAKINGS.**

20           (a) DEFINITIONS.—The Commodity Futures Trading  
21      Commission and the Securities and Exchange Commission  
22      shall, jointly, issue rules to further define the following  
23      terms:

24           (1)     The terms “affiliated person”,  
25      “blockchain”, “blockchain network”, “blockchain

1 protocol”, “decentralized network”, “decentralized  
2 organization”, “digital asset”, “digital asset issuer”,  
3 “digital asset maturity date”, “end user distribu-  
4 tion”, “functional network”, “related person”, “re-  
5 stricted digital asset”, “source code”, and “spon-  
6 sor”, as defined under section 2(a) of the Securities  
7 Act of 1933.

8 (2) The term “digital commodity”, as defined  
9 under section 1a of the Commodity Exchange Act.

10 (b) JOINT RULEMAKING FOR EXCHANGES.—The  
11 Commodity Futures Trading Commission and the Securi-  
12 ties and Exchange Commission shall, jointly, issue rules  
13 to exempt persons dually registered with the Commodity  
14 Futures Trading Commission as a digital commodity ex-  
15 change and with the Securities and Exchange Commission  
16 as an alternative trading system from duplicative, con-  
17 flicting, or unduly burdensome provisions of this Act, the  
18 securities laws, and the Commodity Exchange Act and the  
19 rules thereunder, to the extent such exemption would fos-  
20 ter the development of fair and orderly markets in digital  
21 assets, be necessary or appropriate in the public interest,  
22 and be consistent with the protection of investors.

1 **SEC. 105. PROVISIONAL REGISTRATION OF CFTC INTER-**  
2 **MEDIARIES.**

3 (a) TRANSITION TO FULL REGISTRATION FOR DIG-  
4 ITAL COMMODITY EXCHANGES, BROKERS, AND DEAL-  
5 ERS.—

6 (1) IN GENERAL.—

7 (A) PROVISIONAL REGISTRATION STATE-  
8 MENT.—Any person may file a provisional reg-  
9 istration statement with the Commodity Fu-  
10 tures Trading Commission (in this subsection  
11 referred to as the “Commission”) as a—

12 (i) provisional digital commodity ex-  
13 change, for a person intending to register  
14 as a digital commodity exchange under sec-  
15 tion 5i of the Commodity Exchange Act;

16 (ii) provisional digital commodity  
17 broker, for a person intending to register  
18 as a digital commodity broker under sec-  
19 tion 4u of the Commodity Exchange Act;  
20 or

21 (iii) (iii) provisional digital commodity  
22 dealer, for a person intending to register  
23 as a digital commodity dealer under sec-  
24 tion 4u of the Commodity Exchange Act.

25 (B) FILING.—A person desiring to file a  
26 provisional registration statement under sub-

1 paragraph (A) shall submit to the Commission  
2 an application in such form and containing—

3 (i) the nature of the registrations the  
4 filer intends to pursue;

5 (ii) the information required by para-  
6 graph (2);

7 (iii) a certification of compliance with  
8 the requirements of paragraph (3); and

9 (iv) such other information as the  
10 Commission may require.

11 (2) DISCLOSURE OF GENERAL INFORMATION.—

12 A person filing a provisional registration statement  
13 under paragraph (1) shall disclose to the Commis-  
14 sion the following:

15 (A) Information concerning the manage-  
16 ment of the person, including information de-  
17 scribing—

18 (i) the ownership and management of  
19 the person;

20 (ii) the financial condition of the per-  
21 son;

22 (iii) affiliated entities engaging in dig-  
23 ital asset-related activities;

24 (iv) potential conflicts of interest; and

1 (v) other information relevant to the  
2 management of the person, as determined  
3 by the Commission.

4 (B) Information concerning the operations  
5 of the person, including—

6 (i) any rulebook or other customer  
7 order fulfilment rules;

8 (ii) risk management procedures; and

9 (iii) a description of the product list-  
10 ing process.

11 (3) REQUIREMENTS.—A person filing a provi-  
12 sional registration statement under paragraph (1)  
13 shall certify to the Commission that the person com-  
14 plies, in such manner as the Commission may by  
15 rule or order determine, with the following require-  
16 ments:

17 (A) BOOKS AND RECORDS.—A person fil-  
18 ing a provisional registration statement under  
19 paragraph (1) shall—

20 (i) make such reports as are required  
21 by the Commission by rule regarding the  
22 transactions, positions, and financial condi-  
23 tion of the person;



1 (ii) keep books and records in such  
2 form and manner and for such period as  
3 may be prescribed by the Commission; and

4 (iii) keep the books and records re-  
5 ferred to in clause (ii) open to inspection  
6 and examination by any representative of  
7 the Commission.

8 (B) CUSTOMER DISCLOSURES.—A person  
9 filing a provisional registration statement under  
10 paragraph (1) shall—

11 (i) make disclosures to customers of  
12 the person related to offering digital com-  
13 modities, relevant to—

14 (I) the experience of the cus-  
15 tomer; and

16 (II) the risk tolerance of the cus-  
17 tomer;

18 (ii) provide information to customers  
19 of the person related to each digital com-  
20 modity, including—

21 (I) the history of the digital com-  
22 modity;

23 (II) the functionality of the dig-  
24 ital commodity;

25

1 (III) the operation of the digital  
2 commodity; and

3 (IV) the economics of the digital  
4 commodity.

5 (C) CUSTOMER ASSETS.—

6 (i) IN GENERAL.—A person filing a  
7 provisional registration statement under  
8 paragraph (1) shall—

9 (I) hold customer money, assets,  
10 and property in a manner to minimize  
11 the risk of loss to the customer or un-  
12 reasonable delay in customer access to  
13 money, assets, and property of the  
14 customer;

15 (II) treat and deal with all  
16 money, assets, and property of any  
17 customer received as belonging to the  
18 customer;

19 (III) segregate all money, assets,  
20 and property received from any cus-  
21 tomer of the person from the funds of  
22 the person, except that—

23 (aa) the money, assets, and  
24 property of any customer may be  
25 commingled with that of any

1 other customer, if separately ac-  
2 counted for; and

3 (bb) the share of the money,  
4 assets, and property, as in the  
5 normal course of business are  
6 necessary to margin, guarantee,  
7 secure, transfer, adjust, or settle  
8 a contract of sale of a digital  
9 commodity, may be withdrawn  
10 and applied to do so, including  
11 the payment of commissions, bro-  
12 kerage, interest, taxes, storage,  
13 and other charges lawfully accru-  
14 ing in connection with the con-  
15 tract of sale of a digital com-  
16 modity.

17 (ii) ADDITIONAL RESOURCES.—

18 (I) IN GENERAL.—This section  
19 shall not prevent or be construed to  
20 prevent a person filing a provisional  
21 registration statement under para-  
22 graph (1) from adding to the cus-  
23 tomer money, assets, and property re-  
24 quired to be segregated under clause  
25 (i), additional amounts of money, as-

1 sets, or property from the account of  
2 the person as the person determines  
3 necessary to prevent the account of a  
4 customer from becoming under-seg-  
5 regated.

6 (II) TREATMENT AS CUSTOMER  
7 FUNDS.—Any money, assets, or prop-  
8 erty deposited pursuant to subclause  
9 (I) shall be considered customer prop-  
10 erty within the meaning of this para-  
11 graph.

12 (D) LISTINGS.—

13 (i) PERMITTED DIGITAL COMMOD-  
14 ITIES.—

15 (I) LISTING ON DIGITAL COM-  
16 MODITY EXCHANGES.—

17 (aa) IN GENERAL.—Except  
18 as provided in clause (ii), a per-  
19 son filing a provisional registra-  
20 tion statement under paragraph  
21 (1) as a provisional digital com-  
22 modity exchange may list for  
23 trading any digital asset that is  
24 listed for trading on the date  
25 such person filed the provisional

1 registration statement with the  
2 Commission.

3 (bb) EXCHANGE CERTIFI-  
4 CATION FOR EXISTING ASSETS.—  
5 On filing a provisional registra-  
6 tion statement described under  
7 item (aa), the exchange shall  
8 submit to the Commission and  
9 the Securities and Exchange  
10 Commission a certification that  
11 any digital asset listed on the ex-  
12 change that was issued before the  
13 date of the enactment of this  
14 Act—

15 (AA) is related to a  
16 blockchain network that is a  
17 functional network and a de-  
18 centralized network; and

19 (BB) satisfies the list-  
20 ing standards under section  
21 5i(c)(3) of the Commodity  
22 Exchange Act.

23 (cc) NEW LISTINGS.—A pro-  
24 visional digital commodity ex-  
25 change may submit to the Com-

29

1 mission and the Securities and  
2 Exchange Commission for review  
3 under item (bb) a certification  
4 attesting that any digital asset  
5 the exchange seeks to list—

6 (AA) is related to a  
7 blockchain network that is a  
8 functional network and a de-  
9 centralized network; and  
10 (BB) satisfies the list-  
11 ing standards under section  
12 5i(c)(3) of the Commodity  
13 Exchange Act.

14 (II) PERMITTED ACTIVITIES BY  
15 BROKERS AND DEALERS.—Except as  
16 provided in clause (ii), a provisional  
17 digital commodity broker or digital  
18 commodity dealer may offer for trad-  
19 ing any digital commodity that is—

20 (aa) offered for trading on  
21 the date of the provisional digital  
22 commodity broker or digital com-  
23 modity dealer filed a provisional  
24 registration statement with the  
25 Commission; or

1 (bb) offered for trading on a  
2 provisional digital commodity ex-  
3 change.

4 (ii) DE-LISTING OF DIGITAL AS-  
5 SETS.—

6 (I) NOTICE OF NONCOMPLI-  
7 ANCE.—

8 (aa) IN GENERAL.—After  
9 such time as the Commission and  
10 the Securities and Exchange  
11 Commission finalize the joint  
12 rulemaking described under sec-  
13 tion 104, the Commission and  
14 the Securities and Exchange  
15 Commission may issue notices to  
16 an entity under this section.

17 (bb) NOTICE FROM THE  
18 COMMISSION.—The Commission  
19 may provide notice to a provi-  
20 sionally registered digital com-  
21 modity exchange that a digital  
22 asset certified under clause  
23 (i)(I)(bb) does not satisfy the  
24 listing standards under 5i(c)(3)  
25 of the Commodity Exchange Act.

1 (cc) NOTICE FROM THE SE-  
2 CURITIES AND EXCHANGE COM-  
3 MISSION.—The Securities and  
4 Exchange Commission may pro-  
5 vide notice to a provisionally reg-  
6 istered digital commodity ex-  
7 change that a digital asset cer-  
8 tified under clause (i)(I)(bb) is  
9 not related to a blockchain net-  
10 work that is a functional network  
11 and a decentralized network  
12 (II) DE-LISTING REQUIRED.—  
13 (aa) PROVISIONAL DIGITAL  
14 COMMODITY EXCHANGE.—A pro-  
15 visional digital commodity ex-  
16 change shall de-list a digital asset  
17 from trading if the provisional  
18 digital commodity exchange—  
19 (AA) did not submit a  
20 certification under clause  
21 (i)(I)(bb) with respect to the  
22 digital asset; or  
23 (BB) received a notice  
24 under subclause (I) with re-  
25 spect to the digital asset.



1 (bb) PROVISIONAL DIGITAL  
2 COMMODITY BROKERS AND DEAL-  
3 ERS.—A provisional digital com-  
4 modity broker or digital com-  
5 modity dealer shall de-list a dig-  
6 ital asset from trading if—

7 (AA) within 6 months  
8 after the date of the enact-  
9 ment of this Act, a provi-  
10 sional digital commodity ex-  
11 change has not submitted a  
12 certification under clause  
13 (i)(I)(bb) with respect to the  
14 digital asset; or

15 (BB) a provisionally  
16 registered digital commodity  
17 exchange has received a no-  
18 tice under subclause (I) with  
19 respect to the digital asset.

20 (cc) REASONABLE TIME.—  
21 With respect to a required de-  
22 listing, the Commission shall pro-  
23 vide a provisional digital com-  
24 modity exchange, digital com-  
25 modity broker, or digital com-

1                   modity dealer sufficient time to  
2                   ensure—

3                                   (AA)       an       orderly  
4                   winddown of trading activi-  
5                   ties; and

6                                   (BB) the prevention of  
7                   disruptive trading.

8                   (4) EXPIRATION OF PROVISIONAL REGISTRA-  
9                   TION.—

10                           (A) IN GENERAL.—No person may file a  
11                   provisional registration statement with the  
12                   Commission after the rules for the registration  
13                   of digital commodity exchanges or digital com-  
14                   modity brokers or digital commodity dealers are  
15                   finalized, as appropriate.

16                           (B) TRANSITION TO FULL REGISTRA-  
17                   TION.—The Commission shall provide for an or-  
18                   derly transition to full registration for any enti-  
19                   ty that has filed a provisional registration state-  
20                   ment under this subsection.

21                           (C) REVOCATION OF REGISTRATION.—The  
22                   Commission shall revoke a provisional registra-  
23                   tion statement filed by any person that fails to  
24                   comply with this section, after providing notice  
25                   to the person of the failure of the person to

1 comply and affording the person a reasonable  
2 opportunity to correct the noncompliance.

3 (5) DEFERMENT OF ENFORCEMENT.—

4 (A) IN GENERAL.—Any person who has  
5 filed a provisional registration statement under  
6 this section and is in compliance with this sec-  
7 tion shall not be subject to an enforcement ac-  
8 tion by the Commodity Futures Trading Com-  
9 mission or the Securities and Exchange Com-  
10 mission, or any other cause of action, for—

11 (i) listing for trading a digital asset  
12 that is not a digital commodity; or

13 (ii) failing to register as a digital com-  
14 modity exchange, digital commodity  
15 broker, or digital commodity dealer.

16 (B) FULL REGISTRATION.—A registered  
17 digital commodity exchange, registered digital  
18 commodity broker, and registered digital com-  
19 modity dealer shall not be subject to an enforce-  
20 ment action by the Commodity Futures Trad-  
21 ing Commission or the Securities and Exchange  
22 Commission, or any other cause of action, while  
23 such person was in compliance with this sec-  
24 tion, for—

- 1 (i) listing for trading a digital asset  
2 that is not a digital commodity; or  
3 (ii) failing to register as a digital com-  
4 modity exchange.

5 **SEC. 106. PROVISIONAL REGISTRATION OF SEC INTER-**  
6 **MEDIARIES.**

7 (a) PROVISIONAL REGISTRATION.—

8 (1) IN GENERAL.—Any person engaging in, or  
9 proposing to engage in, activities of a broker, dealer,  
10 or alternative trading system involving digital assets  
11 that would be subject to registration with the Securi-  
12 ties and Exchange Commission (in this subsection  
13 referred to as the “Commission”) may file a provi-  
14 sional registration statement with the Commission,  
15 and any relevant self-regulatory organization, as a  
16 broker, dealer, or alternative trading system, as ap-  
17 propriate, by providing the Commission and any rel-  
18 evant self-regulatory organization with a statement  
19 stating the intention of the person to provisionally  
20 register as such under this section.

21 (2) INSPECTION AND EXAMINATION.—Each  
22 broker, dealer, or alternative trading system that  
23 has filed a provisional registration statement pursu-  
24 ant to this section shall be subject to inspection and  
25 examination by the Commission.

1 (3) REGISTRATION PRIOR TO FINAL RULES.—

2 (A) IN GENERAL.—The Commission shall  
3 permit any person engaging in, or proposing to  
4 engage in, activities of a broker, dealer, or al-  
5 ternative trading system involving digital assets  
6 to file a provision registration statement pursu-  
7 ant to this section.

8 (B) ENFORCEMENT DEFERRED.—Begin-  
9 ning on the date of the enactment of this Act  
10 and ending on the date the Commission estab-  
11 lishes a registration process for purposes of this  
12 section, a person engaging in, or proposing to  
13 engage in, activities of a broker, dealer, or al-  
14 terative trading system involving digital assets  
15 shall not be subject to an enforcement action by  
16 the Commission for a violation of this Act or  
17 the securities laws related to a failure to reg-  
18 ister with the Commission before engaging in  
19 such activities.

20 (4) EXCEPTION.—A person may not file a pro-  
21 visional registration statement to be a broker, deal-  
22 er, or alternative trading system if such person is  
23 disqualified under the securities laws or rules issued  
24 thereunder from acting as a broker, dealer, or alter-  
25 native trading system, as applicable.

1 (5) TREATMENT UNDER CUSTOMER PROTEC-  
2 TION RULES.—The revisions required under section  
3 304 shall apply to a broker, dealer, or alternative  
4 trading system that has provisionally registered pur-  
5 suant to this section to the same extent as such revi-  
6 sions apply to a registered broker or dealer.

7 (b) TRANSITION TO FULL REGISTRATION.—

8 (1) IN GENERAL.—When finalizing the rules re-  
9 quired under this section, the Commission shall pro-  
10 vide for an orderly transition to full registration for  
11 each broker, dealer, or alternative trading system  
12 which has filed a provisional registration statement.

13 (2) REVOCATION OF REGISTRATION.—The  
14 Commission shall revoke a provisional registration  
15 statement under this section of any broker, dealer,  
16 or alternative trading system which fails to comply  
17 with this section after notice of such failure to com-  
18 ply and a reasonable opportunity to correct the defi-  
19 ciency.

20 (c) DEFERMENT OF ENFORCEMENT.—

21 (1) IN GENERAL.—A broker, dealer, or alter-  
22 native trading system which has filed a provisional  
23 registration statement and is in compliance with the  
24 requirements of this section shall not be subject to  
25 an enforcement action by the Commission for engag-

1 ing in activities involving digital assets, while the  
2 provisional registration statement for the broker,  
3 dealer, or alternative trading system is in effect,  
4 for—

5 (A) a violation of offering a digital asset  
6 deemed a security; or

7 (B) failure to register as a broker, dealer,  
8 or alternative trading system.

9 (2) FULL REGISTRATION.—A registered broker,  
10 dealer, or alternative trading system shall not be  
11 subject to an enforcement action by the Commission,  
12 while it was provisionally registered for—

13 (A) a violation of offering a digital asset  
14 deemed a security; or

15 (B) for failure to register as a broker,  
16 dealer, or alternative trading system.

## 17 **TITLE II—DIGITAL ASSET** 18 **EXEMPTIONS**

### 19 **SEC. 201. EXEMPTED TRANSACTIONS IN DIGITAL ASSETS.**

20 (a) IN GENERAL.—The Securities Act of 1933 (15  
21 U.S.C. 77a et seq.) is amended—

22 (1) in section 4(a), by adding at the end the  
23 following:

24 “(8) transactions involving the offer or sale of  
25 units of a digital asset by a digital asset issuer, if—

1 “(A) the aggregate amount of units of the  
2 digital asset sold by the digital asset issuer, in-  
3 cluding any amount sold in reliance on the ex-  
4 emption provided under this paragraph, during  
5 the 12-month period preceding the date of such  
6 transaction, including the amount sold in such  
7 transaction, is not more than \$75,000,000;

8 “(B) with respect to a transaction involv-  
9 ing the purchase of units of a digital asset by  
10 a person who is not an accredited investor, the  
11 aggregate amount of all units of digital assets  
12 purchased by such person during the 12-month  
13 period preceding the date of such transaction,  
14 including the unit of a digital asset purchased  
15 in such transaction, does not exceed the greater  
16 of—

17 “(i) 5 percent of the person’s annual  
18 income or joint income with that person’s  
19 spouse or spousal equivalent ; or

20 “(ii) 5 percent of the person’s net  
21 worth or joint net worth with the person’s  
22 spouse or spousal equivalent;

23 “(C) after the completion of the trans-  
24 action, the purchaser does not own more than  
25 10 percent of the total amount of the units of



1 the digital asset sold in reliance on the exemp-  
2 tion under this paragraph;

3 “(D) the transaction does not involve the  
4 offer or sale of equity securities, debt securities,  
5 or debt securities convertible or exchangeable to  
6 equity interests;

7 “(E) the transaction does not involve the  
8 offer or sale of a unit of a digital asset by a  
9 digital asset issuer that—

10 “(i) is not organized under the laws of  
11 a State, a territory of the United States or  
12 the District of Columbia;

13 “(ii) is a development stage company  
14 that either—

15 “(I) has no specific business plan  
16 or purpose; or

17 “(II) has indicated that the busi-  
18 ness plan of the company is to merge  
19 with or acquire an unidentified com-  
20 pany;

21 “(iii) is an investment company, as  
22 defined in section 3 of the Investment  
23 Company Act of 1940 (15 U.S.C. 80a-3),  
24 or is excluded from the definition of invest-  
25 ment company by section 3(b) or section

1 3(c) of that Act (15 U.S.C. 80a–3(b) or  
2 80a–3(c));

3 “(iv) is issuing fractional undivided  
4 interests in oil or gas rights, or a similar  
5 interest in other mineral rights;

6 “(v) is, or has been, subject to any  
7 order of the Commission entered pursuant  
8 to section 12(j) of the Securities Exchange  
9 Act of 1934 during the 5-year period be-  
10 fore the filing of the offering statement;  
11 and

12 “(vi) is disqualified pursuant to sec-  
13 tion 230.262 of title 17, Code of Federal  
14 Regulations; and

15 “(F) the issuer meets the requirements of  
16 section 4B(a).”; and

17 (2) by inserting after section 4A the following:

18 **“SEC. 4B. REQUIREMENTS WITH RESPECT TO CERTAIN DIG-**

19 **ITAL ASSET TRANSACTIONS.**

20 “(a) REQUIREMENTS FOR DIGITAL ASSET  
21 ISSUERS.—

22 “(1) INFORMATION REQUIRED IN STATE-  
23 MENT.—A digital asset issuer offering or selling a  
24 unit of digital asset in reliance on section 4(a)(8)

1 shall file with the Commission a statement con-  
2 taining the following information:

3 “(A) The name, legal status (including the  
4 jurisdiction in which the issuer is organized and  
5 the date of organization), and website of the  
6 digital asset issuer.

7 “(B) A certification that the digital asset  
8 issuer meets the relevant requirements de-  
9 scribed under section 4(a)(8).

10 “(C) An overview of the material aspects  
11 of the offering.

12 “(D) A description of the purpose and in-  
13 tended use of the offering proceeds.

14 “(E) A description of the plan of distribu-  
15 tion of any unit of a digital asset that is to be  
16 offered.

17 “(F) A description of the material risks  
18 surrounding ownership of a unit of a digital  
19 asset.

20 “(G) A description of exempt offerings  
21 conducted within the past three years by the  
22 digital asset issuer.

23 “(H) A description of the digital asset  
24 issuer and the current number of employees of  
25 the digital asset issuer.

1 “(I) A description of any material trans-  
2 actions or relationships between the digital  
3 asset issuer and affiliated persons.

4 “(2) INFORMATION REQUIRED FOR PUR-  
5 CHASERS.—A digital asset issuer shall disclose the  
6 information described under section 203 of  
7 **【SHORT TITLE】** on a freely accessible public  
8 website.

9 “(3) ONGOING DISCLOSURE REQUIREMENTS.—  
10 A digital asset issuer that has filed a statement  
11 under paragraph (1) to offer and sell a unit of a dig-  
12 ital asset in reliance on section 4(a)(8) shall file the  
13 following with the Commission:

14 “(A) ANNUAL REPORTS.—An annual re-  
15 port that includes any material changes to the  
16 information described under paragraph (2) for  
17 the current fiscal year and for any fiscal year  
18 thereafter, unless the issuer is no longer obli-  
19 gated to file such annual report pursuant to  
20 paragraph (4).

21 “(B) SEMIANNUAL REPORTS.—Every six  
22 months, a report containing—

23 “(i) an updated description of the cur-  
24 rent state and timeline for the development  
25 of the blockchain network to which the dig-

1           ital asset relates, showing how and when  
2           the blockchain network intends or intended  
3           to be considered a functional network and  
4           a decentralized network; and

5           “(ii) any material changes to the in-  
6           formation in the most recent annual re-  
7           port.

8           “(C) CURRENT REPORTS.—A current re-  
9           port shall be filed with the Commission reflect-  
10          ing any fundamental changes to the information  
11          previously reported to the Commission by the  
12          digital asset issuer.

13          “(4) TERMINATION OF REPORTING REQUIRE-  
14          MENTS.—

15          “(A) IN GENERAL.—The ongoing reporting  
16          requirements under paragraph (3) shall not  
17          apply to a digital asset issuer 180 days after  
18          the end of the covered fiscal year.

19          “(B) COVERED FISCAL YEAR DEFINED.—  
20          In this paragraph, the term ‘covered fiscal year’  
21          means the first fiscal year of an issuer in which  
22          the blockchain network to which the digital  
23          asset relates is a functional network and cer-  
24          tified to be a decentralized network under sec-  
25          tion 204 of **【SHORT TITLE】**.

1 “(b) REQUIREMENTS FOR INTERMEDIARIES.—

2 “(1) IN GENERAL.—A person acting as an  
3 intermediary in a transaction involving the offer or  
4 sale of a unit of a digital asset in reliance on section  
5 4(a)(8) shall—

6 “(A) register with the Commission as a  
7 broker under section 15(b) of the Securities Ex-  
8 change Act of 1934 (15 U.S.C. 78o(b)); and

9 “(B) be a member of a national securities  
10 association registered under section 15A of the  
11 Securities Exchange Act of 1934 (15 U.S.C.  
12 78o–3).

13 “(2) PURCHASER QUALIFICATION.—

14 “(A) IN GENERAL.—Each time, before ac-  
15 cepting any commitment (including any addi-  
16 tional commitment from the same person), an  
17 intermediary or digital asset issuer shall have a  
18 reasonable basis for believing that the pur-  
19 chaser satisfies the requirements of section  
20 4(a)(8).

21 “(B) RELIANCE ON PURCHASER’S REP-  
22 RESENTATIONS.—For purposes of subpara-  
23 graph (A), an intermediary or digital asset  
24 issuer may rely on a purchaser’s representa-  
25 tions concerning the purchaser’s annual income

1 and net worth and the amount of the pur-  
2 chaser's other investments made, unless the  
3 intermediary or digital asset issuer has reason  
4 to question the reliability of the representation.

5 “(C) RELIANCE ON INTERMEDIARY.—For  
6 purposes of determining whether a transaction  
7 meets the requirements described under sub-  
8 paragraph (A) through (C) of section 4(a)(8), a  
9 digital asset issuer may rely on the efforts of an  
10 intermediary.

11 “(c) ADDITIONAL PROVISIONS.—

12 “(1) ACCEPTANCE OF WRITTEN OFFERS;  
13 SALES.—After an issuer files a statement under  
14 paragraph (1) to offer and sell a digital asset in reli-  
15 ance on section 4(a)(8)—

16 “(A) written offers of the digital asset may  
17 be made; and

18 “(B) the issuer may sell the digital assets  
19 in reliance on section 4(a)(8), if such sales meet  
20 all other requirements.

21 “(2) SOLICITATION OF INTEREST.—

22 “(A) IN GENERAL.—At any time before  
23 the filing of a statement under paragraph (1),  
24 a digital asset issuer may communicate orally  
25 or in writing to determine whether there is any

1 interest in a contemplated offering. Such com-  
2 munications are deemed to be an offer of a unit  
3 of a digital asset for sale for purposes of the  
4 antifraud provisions of the Federal securities  
5 laws. No solicitation or acceptance of money or  
6 other consideration, nor of any commitment,  
7 binding or otherwise, from any person is per-  
8 mitted until the statement is filed.

9 “(B) CONDITIONS.—In any communication  
10 described under subparagraph (A), the digital  
11 asset issuer shall—

12 “(i) state that no money or other con-  
13 sideration is being solicited, and if sent in  
14 response, will not be accepted;

15 “(ii) state that no offer to buy a unit  
16 of a digital asset can be accepted and no  
17 part of the purchase price can be received  
18 until the statement is filed and then only  
19 through an intermediary; and

20 “(iii) state that a person’s indication  
21 of interest involves no obligation or com-  
22 mitment of any kind.

23 “(C) INDICATIONS OF INTEREST.—Any  
24 written communication described under sub-  
25 paragraph (A) may include a means by which



1 a person may indicate to the digital asset issuer  
2 that such person is interested in a potential of-  
3 fering. A digital asset issuer may require a  
4 name, address, telephone number, or email ad-  
5 dress in any response form included with a  
6 communication described under subparagraph  
7 (A).

8 “(3) DISQUALIFICATION PROVISIONS.—The  
9 Commission shall issue rules to apply the disquali-  
10 fication provisions under section 230.262 of title 17,  
11 Code of Federal Regulations, to the exemption pro-  
12 vided under section 4(a)(8).

13 “(4) DIGITAL ASSETS DEEMED RESTRICTED SE-  
14 CURITIES.—A unit of a digital asset acquired di-  
15 rectly or indirectly from the digital asset issuer in a  
16 transaction, or chain of transactions, made in reli-  
17 ance on the exemption provided under section  
18 4(a)(8) is deemed a restricted digital asset.”.

19 (b) ADDITIONAL EXEMPTIONS.—

20 (1) CERTAIN REGISTRATION REQUIREMENTS.—  
21 Section 12(g)(6) of the Securities Exchange Act of  
22 1934 (15 U.S.C. 78l(g)(6)) is amended by striking  
23 “under section 4(6)” and inserting “under section  
24 4(a)(6) or 4(a)(8)”.

1 (2) EXEMPTION FROM STATE REGULATION.—

2 Section 18(b)(4) of the Securities Act of 1933 (15

3 U.S.C. 77r(b)(4)) is amended—

4 (A) in section (B), by striking “section  
5 4(4)” and inserting “section 4(a)(4)”;

6 (B) in section (C), by striking “section  
7 4(6)” and inserting “section 4(a)(6)”;

8 (C) in subparagraph (F)—

9 (i) by striking “section 4(2)” each  
10 place such term appears and inserting  
11 “section 4(a)(2)”;

12 (ii) by striking “or” at the end;

13 (D) in subparagraph (G), by striking the  
14 period and inserting “; or”; and

15 (E) by adding at the end the following:

16 “(H) section 4(a)(8).”.

17 **SEC. 202. REQUIREMENTS TO TRANSACT IN CERTAIN DIG-**  
18 **ITAL ASSETS.**

19 (a) TRANSACTIONS IN CERTAIN RESTRICTED DIG-  
20 ITAL ASSETS.—

21 (1) IN GENERAL.—Notwithstanding any other  
22 provision of law, subject to paragraph (2), a re-  
23 stricted digital asset may be offered and sold on an  
24 alternative trading system by any person other than  
25 a digital asset issuer if, at the time of such offer or

1 sale, the information described in section 203 has  
2 been certified and made publicly available for any  
3 blockchain network to which the restricted digital  
4 asset relates.

5 (2) ADDITIONAL RULES FOR RELATED AND AF-  
6 FILLATED PERSONS.—A restricted digital asset  
7 owned by a related person or an affiliated person  
8 may only be offered or sold after 12 months after  
9 the later of—

10 (A) the date on which such restricted dig-  
11 ital asset was acquired; or

12 (B) the digital asset maturity date.

13 (b) DIGITAL COMMODITIES.—

14 (1) IN GENERAL.—Subject to paragraph (2), a  
15 digital commodity may be offered and sold by any  
16 person other than a digital asset issuer, a related  
17 person, or an affiliated person.

18 (2) PREVIOUSLY RESTRICTED DIGITAL AS-  
19 SETS.—A digital commodity that was a restricted  
20 digital asset when it was first acquired, may only be  
21 offered or sold by a related person or an affiliated  
22 person if—

23 (A) the holder of the digital commodity  
24 owned the digital commodity while it was a re-

1           stricted digital asset for 12 months after the  
2           later of—

3                   (i) the date on which such restricted  
4                   digital asset was acquired; or

5                   (ii) the digital asset maturity date;  
6                   and

7                   (B) the digital commodity is offered or  
8                   sold on or subject to the rules of a digital com-  
9                   modity exchange registered under section 5i of  
10                  the Commodity Exchange Act.

11               (3) NOT AN INVESTMENT CONTRACT.—For pur-  
12               poses of the securities laws, a transaction in a dig-  
13               ital commodity made in compliance with paragraph  
14               (1) or (2) shall not be a transaction in an invest-  
15               ment contract.

16               (c) SALES RESTRICTIONS FOR AFFILIATED PER-  
17               SONS.—A digital asset may be offered or sold by an affili-  
18               ated person under subsection (a) or (b) if—

19                   (1) the aggregate amount of such digital assets  
20                   sold in any 3-month period by the affiliated person  
21                   is not greater than one percent of the digital assets  
22                   then outstanding; or

23                   (2) the affiliated person promptly, following the  
24                   placement of an order to sell one percent of the dig-

1       ital assets then outstanding during any 3-month pe-  
2       riod, reports the sale to—

3               (A) the Commodity Futures Trading Com-  
4               mission, in the case of an order to sell a digital  
5               commodity on or subject to the rules of a dig-  
6               ital commodity exchange; or

7               (B) the Securities and Exchange Commis-  
8               sion, in the case of a sell order for a restricted  
9               digital asset placed with an alternative trading  
10              system.

11       (d) TREATMENT UNDER THE SECURITIES LAWS.—

12              (1) NOT AN INVESTMENT CONTRACT.—For pur-  
13              poses of the securities laws, an end user distribution  
14              shall not be a transaction in an investment contract.

15              (2) EXEMPTION.—Section 5 of the Securities  
16              Act of 1933 (15 U.S.C. 77e) shall not apply to an  
17              end user distribution or a unit of digital asset issued  
18              in such a distribution.

19       **SEC. 203. ENHANCED DISCLOSURE REQUIREMENTS.**

20              (a) DISCLOSURE INFORMATION.—With respect to a  
21              digital asset and any blockchain network to which the dig-  
22              ital asset relates, the information described under this sec-  
23              tion is as follows:

24              (1) SOURCE CODE.—The source code for any  
25              blockchain network to which the digital asset relates.

1           (2) TRANSACTION HISTORY.—A description of  
2           the steps necessary to independently access, search,  
3           and verify the transaction history of any blockchain  
4           network to which the digital asset relates.

5           (3) DIGITAL ASSET ECONOMICS.—A description  
6           of the purpose of any blockchain network to which  
7           the digital asset relates and the operation of any  
8           such blockchain network, including—

9                   (A) information explaining the launch and  
10                  supply process, including the number of digital  
11                  assets to be issued in an initial allocation, the  
12                  total number of digital assets to be created, the  
13                  release schedule for the digital assets, and the  
14                  total number of digital assets then outstanding;

15                  (B) information on any applicable con-  
16                  sensus mechanism or process for validating  
17                  transactions, method of generating or mining  
18                  digital assets, and any process for burning or  
19                  destroying digital assets on the blockchain net-  
20                  work;

21                  (C) an explanation of governance mecha-  
22                  nisms for implementing changes to the  
23                  blockchain network or forming consensus  
24                  among holders of such digital assets; and

1 (D) sufficient information for a third party  
2 to create a tool for verifying the transaction  
3 history of the digital asset.

4 (4) PLAN OF DEVELOPMENT.—The current  
5 state and timeline for the development of any  
6 blockchain network to which the digital asset relates,  
7 showing how and when the blockchain network in-  
8 tends or intended to be considered a functional net-  
9 work and decentralized network.

10 (5) DEVELOPMENT DISCLOSURES.—A list of all  
11 persons who are related persons or affiliated persons  
12 who have been issued a unit of a digital asset by a  
13 digital asset issuer or have a right to a unit of a dig-  
14 ital asset from a digital asset issuer.

15 (6) RISK FACTOR DISCLOSURES.—Where appro-  
16 priate, provide under the caption “Risk Factors” a  
17 description of the material risks surrounding owner-  
18 ship of a unit of a digital asset. This discussion shall  
19 be organized logically with relevant headings and  
20 each risk factor shall be set forth under a subcaption  
21 that adequately describes the risk.

22 (b) CERTIFICATION.—With respect to a digital asset  
23 and any blockchain network to which the digital asset re-  
24 lates, the information required to be made available under  
25 this section has been certified if the digital asset issuer,

1 an affiliated person, or a decentralized organization (or,  
2 if no digital asset issuer, affiliated person, or decentralized  
3 organization are identifiable, an alternative trading system  
4 or digital commodity exchange) certifies on a quarterly  
5 basis to the Securities and Exchange Commission and  
6 Commodity Futures Trading Commission that the infor-  
7 mation is true and correct.

8 **SEC. 204. CERTIFICATION OF CERTAIN DIGITAL ASSETS.**

9 (a) CERTIFICATION.—Any person may certify to the  
10 Securities and Exchange Commission (in this subsection  
11 referred to as the “Commission”) that the blockchain net-  
12 work to which a digital asset relates is a decentralized net-  
13 work.

14 (b) FILING REQUIREMENTS.—A certification de-  
15 scribed under subsection (a) shall be filed with the Com-  
16 mission, and include—

17 (1) information regarding the person making  
18 the certification; and

19 (2) an analysis of the factors on which such  
20 person based the certification that the blockchain  
21 network is a decentralized network.

22 (c) REBUTTABLE PRESUMPTION.—The Commission  
23 may rebut a certification described under subsection (a)  
24 with respect to a blockchain network if the Commission,  
25 within 30 days of receiving such certification, determines



1 that the blockchain network is not a decentralized net-  
2 work.

3 (d) CERTIFICATION REVIEW.—

4 (1) IN GENERAL.—Any blockchain network that  
5 relates to a digital asset for which a certification has  
6 been made under subsection (a) shall be considered  
7 a decentralized network 30 days after the date on  
8 which the Commission receives a certification under  
9 subsection (a), unless the Commission notifies the  
10 person who made the certification within such time  
11 that the Commission is staying the certification due  
12 to—

13 (A) an inadequate explanation by the per-  
14 son making the certification; or

15 (B) any novel or complex issues which re-  
16 quire additional time to consider.

17 (2) PUBLIC NOTICE.—The Commission shall  
18 make the following available to the public and pro-  
19 vide a copy to the Commodity Futures Trading  
20 Commission:

21 (A) Each certification received under sub-  
22 section (a).

23 (B) Each stay of the Commission under  
24 this section, and the reasons therefore.

1 (C) Any response from a person making a  
2 certification under subsection (a) to a stay of  
3 the certification by the Commission.

4 (e) STAY OF CERTIFICATION.—

5 (1) IN GENERAL.—A notification by the Com-  
6 mission pursuant to subsection (d)(1) shall stay the  
7 certification once for up to an additional 90 days  
8 from the date of the notification.

9 (2) PUBLIC COMMENT PERIOD.—Before the end  
10 of the 30-day period described under subsection  
11 (d)(1), the Commission may begin a public comment  
12 period of at least 30 days in conjunction with a stay  
13 under this section.

14 (f) DISPOSITION OF CERTIFICATION.—

15 (1) IN GENERAL.—A certification made under  
16 subsection (a) shall—

17 (A) become effective—

18 (i) upon the publication of a notifica-  
19 tion from the Commission to the person  
20 who made the certification that the Com-  
21 mission does not object to the certification;  
22 or

23 (ii) at the expiration of the certifi-  
24 cation review period; and

1 (B) not become effective upon the publica-  
2 tion of a notification from the Commission to  
3 the person who made the certification that the  
4 Commission has rebutted the certification.

5 (2) DETAILED ANALYSIS INCLUDED WITH RE-  
6 BUTTAL.—The Commission shall include, with each  
7 publication of a notification of rebuttal described  
8 under paragraph (1)(B), a detailed analysis of the  
9 factors on which the decision was based.

10 (g) RECONSIDERATION.—

11 (1) IN GENERAL.—Any certification of a  
12 blockchain network that becomes effective pursuant  
13 to subsection (f) shall be eligible to be reconsidered  
14 by the Commission one year after the date on which  
15 the certification becomes effective and each year  
16 thereafter.

17 (2) RECONSIDERATION PROCESS.—To recon-  
18 sider a certification under (f), the Commission  
19 shall—

20 (A) publish a notice announcing the recon-  
21 sideration 120 days before the anniversary of  
22 the initial certification;

23 (B) provide a 30 day comment period, be-  
24 ginning 90 days before the anniversary of the  
25 initial certification; and

1 (C) after the end of the 30-day comment  
2 required under subparagraph (B) and no later  
3 than 30 days prior to the anniversary of the ini-  
4 tial certification, publish either—

5 (i) a rebuttal of the certification; or

6 (ii) a notice that the Commission is  
7 not rebutting the certification.

8 (3) DETAILED ANALYSIS REQUIRED.—The  
9 Commission shall include, with each publication of a  
10 notification of rebuttal described under paragraph  
11 (2)(C)(i), a detailed analysis of the factors on which  
12 the decision was based.

13 (h) APPEAL OF REBUTTAL.—If the Commission re-  
14 buts a certification under this section, either initially or  
15 in a reconsideration under subsection (g), the person mak-  
16 ing such certification may appeal the decision of the Com-  
17 mission to a court of competent jurisdiction.

1 **TITLE III—REGISTRATION FOR**  
2 **DIGITAL ASSET INTER-**  
3 **MEDIARIES AT THE SECURI-**  
4 **TIES AND EXCHANGE COM-**  
5 **MISSION**

6 **SEC. 301. TREATMENT OF DIGITAL COMMODITIES AND**  
7 **OTHER DIGITAL ASSETS.**

8 (a) SECURITIES ACT OF 1933.—Section 2(a)(1) of  
9 the Securities Act of 1933 (15 U.S.C. 77b(a)(1)) is  
10 amended by adding at the end the following: “The term  
11 does not include a digital commodity or payment  
12 stablecoin.”.

13 (b) SECURITIES EXCHANGE ACT OF 1934.—Section  
14 3(a) of the Securities Exchange Act of 1934 (15 U.S.C.  
15 78c(a)) is amended—

16 (1) in paragraph (6), by striking “receiving de-  
17 posits or exercising fiduciary powers” and inserting  
18 “receiving deposits, exercising fiduciary powers, or  
19 offering custody and safekeeping services”;

20 (2) in paragraph (10), by adding at the end the  
21 following: “Subject to subsection (i), the term does  
22 not include a digital commodity or payment  
23 stablecoin.”;

24 (3) by redesignating the second paragraph (80)  
25 (relating to funding portals) as paragraph (81); and

1 (4) by adding at the end the following:

2 “(82) DIGITAL ASSET-RELATED TERMS.—The  
3 terms ‘blockchain network’, ‘digital asset’, ‘digital  
4 commodity’, ‘payment stablecoin’, and ‘restricted  
5 digital asset’ have the meaning given those terms,  
6 respectively, under section 2(a) of the Securities Act  
7 of 1933 (15 U.S.C. 77b(a)).”.

8 (c) INVESTMENT ADVISERS ACT OF 1940.—Section  
9 202(a) of the Investment Advisers Act of 1940 (15 U.S.C.  
10 80b–2) is amended—

11 (1) in paragraph (2), by striking “receiving de-  
12 posits or exercising fiduciary powers” and inserting  
13 “receiving deposits, exercising fiduciary powers, or  
14 offering custody and safekeeping services,”;

15 (2) in paragraph (18), by adding at the end the  
16 following: “The term does not include a digital com-  
17 modity or payment stablecoin.”;

18 (3) by redesignating the second paragraph (29)  
19 (relating to commodity pools) as paragraph (31);

20 (4) by adding at the end, the following:

21 “(32) DIGITAL ASSET-RELATED TERMS.—The  
22 terms ‘digital commodity’ and ‘payment stablecoin’  
23 have the meaning given those terms, respectively,  
24 under section 2(a) of the Securities Act of 1933 (15  
25 U.S.C. 77b(a)).”.

1 (d) INVESTMENT COMPANY ACT OF 1940.—Section  
2 2(a) of the Investment Company Act of 1940 (15 U.S.C.  
3 80a–2) is amended—

4 (1) in paragraph (5), by striking “receiving de-  
5 posits or exercising fiduciary powers” and inserting  
6 “receiving deposits, exercising fiduciary powers, or  
7 offering custody and safekeeping services,”;

8 (2) in paragraph (36), by adding at the end the  
9 following: “The term does not include a digital com-  
10 modity or payment stablecoin.”; and

11 (3) by adding at the end, the following:

12 “(55) DIGITAL ASSET-RELATED TERMS.—The  
13 terms ‘digital commodity’ and ‘payment stablecoin’  
14 have the meaning given those terms, respectively,  
15 under section 2(a) of the Securities Act of 1933 (15  
16 U.S.C. 77b(a)).”.

17 **SEC. 302. ANTIFRAUD AUTHORITY OVER PAYMENT**  
18 **STABLECOINS.**

19 Section 10 of the Securities Exchange Act of 1934  
20 (15 U.S.C. 78j) is amended—

21 (1) by designating the undesignated matter at  
22 the end of that section as paragraph (3) of sub-  
23 section (c); and

24 (2) in subsection (c)(3), as so designated—

1 (A) by striking “Rules promulgated under  
2 subsection (b)” and inserting “Subsection (b)  
3 and rules promulgated thereunder”;

4 (B) by inserting “and shall apply to pay-  
5 ment stablecoins with respect to those cir-  
6 cumstances in which the payment stablecoins  
7 are brokered, traded, or custodied by a broker  
8 or dealer or through an alternative trading sys-  
9 tem to the same extent as they apply to securi-  
10 ties” after “to the same extent as they apply to  
11 securities” each place it occurs; and

12 (C) by inserting before the period at the  
13 end the following: “provided, that the Commis-  
14 sion shall have no authority under subsection  
15 (b) or rules promulgated thereunder with re-  
16 spect to payment stablecoins (including the de-  
17 sign, structure, or operation of such payment  
18 stablecoins) except with respect to cir-  
19 cumstances in which the payment stablecoins  
20 are brokered, traded, or custodied by a broker  
21 or dealer or through an alternative trading sys-  
22 tem”.



1 **SEC. 303. ELIGIBILITY OF ALTERNATIVE TRADING SYS-**  
2 **TEMS.**

3 (a) IN GENERAL.—Section 5 of the Securities Ex-  
4 change Act of 1934 (15 U.S.C. 78e) is amended—

5 (1) by striking “It” and inserting the following:

6 “(a) IN GENERAL.—It”; and

7 (2) by adding at the end the following:

8 “(b) DIGITAL ASSET PROTECTIONS.—

9 “(1) IN GENERAL.—The Commission may not  
10 preclude a trading platform from operating pursuant  
11 to a covered exemption on the basis that the assets  
12 traded or to be traded on such platform are digital  
13 assets.

14 “(2) COVERED EXEMPTION.—In this sub-  
15 section, the term ‘covered exemption’ means an ex-  
16 emption with respect to—

17 “(A) the requirements of subsection (a);  
18 and

19 “(B) any other rule of the Commission re-  
20 lating to the definition of ‘exchange’.”.

21 (b) RULEMAKING.—

22 (1) IN GENERAL.—Not later than 270 days  
23 after the date of the enactment of this Act, the Se-  
24 curities and Exchange Commission shall revise the  
25 covered regulations to—

1 (A) exempt an alternative trading system  
2 permitting the trading of only securities, cov-  
3 ered assets, or both from registration as a na-  
4 tional securities exchange under section 6 of the  
5 Securities Exchange Act of 1934 (15 U.S.C.  
6 78f); and

7 (B) permit disintermediated trading be-  
8 tween holders of covered assets and real-time  
9 settlement through custody of the covered as-  
10 sets, consistent with what is necessary or ap-  
11 propriate in the public interest or for the pro-  
12 tection of investors.

13 (2) DEFINITIONS.—In this subsection—

14 (A) COVERED ASSETS.—The term “cov-  
15 ered assets” means restricted digital assets,  
16 digital commodities, and payment stablecoins.

17 (B) COVERED REGULATIONS.—The term  
18 “covered regulations” means sections 242.301,  
19 242.302, 242.303, and 242.304 of title 17,  
20 Code of Federal Regulations.

21 **SEC. 304. CUSTOMER PROTECTION RULE MODERNIZATION.**

22 Not later than 270 days after the date of enactment  
23 of this Act, the Securities and Exchange Commission shall  
24 revise section 240.15c3–3 of title 17, Code of Federal Reg-  
25 ulations, to provide that a registered broker or dealer shall

1 be considered to have control of digital assets, in addition  
2 to such other methods as the Securities and Exchange  
3 Commission may permit, if—

4 (1) the broker or dealer holds such digital asset  
5 at a bank (as defined in section 3(a) of the Securi-  
6 ties Exchange Act of 1934 (15 U.S.C. 78c(a))—

7 (A) that is recognized by the appropriate  
8 Federal banking agency or State bank super-  
9 visor (as such terms are defined, respectively, in  
10 section 3 of the Federal Deposit Insurance Act  
11 (12 U.S.C. 1813)) as having custody over such  
12 assets;

13 (B) the delivery of which to the broker or  
14 dealer does not require the payment of money  
15 or value; and

16 (C) that has acknowledged in writing that  
17 the digital asset in its custody or control is free  
18 of charge, lien, or claim of any kind in favor of  
19 such bank or any person claiming through the  
20 bank; or

21 (2) the broker or dealer establishes, maintains,  
22 and enforces written policies, procedures, and con-  
23 trols reasonably designed to demonstrate that the  
24 broker has control over the digital asset it holds in  
25 custody to protect against the theft, loss, or unau-

1       thorized use of the private keys necessary to access  
2       and transfer such digital assets.

3       **SEC. 305. MODERNIZATION OF RECORDKEEPING REQUIRE-**  
4       **MENTS.**

5       (a) IN GENERAL.—For purposes of determining cus-  
6       tody of assets and maintenance of books and records by  
7       brokers, dealers, transfer agents, clearing agencies, and  
8       exchanges under the Securities and Exchange Act of 1934  
9       (15 U.S.C. 78a et seq.), a person may consider records  
10      of ownership of a digital asset determinable from a cryp-  
11      tographically secured distributed ledger as accurately indi-  
12      cating ownership.

13      (b) REVISION OF RULES.—Not later than 180 days  
14      after the date of enactment of this Act, the Securities and  
15      Exchange Commission shall issue and revise rules—

16              (1) in accordance with subsection (a); and

17              (2) to authorize registered transfer agents to  
18      use the technology described in such subsection to  
19      carry out the functions of such transfer agents  
20      under section 17A(c)(1) of the Securities Exchange  
21      Act of 1934 (15 U.S.C. 78q–1(c)(1)).

22      **SEC. 306. MODIFICATIONS TO EXISTING RULES FOR DIG-**  
23      **ITAL ASSETS.**

24      (a) STUDY REQUIRED.—Not later than 180 days  
25      after the date of the enactment of this Act, the Securities

1 and Exchange Commission shall complete a study with re-  
2 spect to the modernization of specified regulations under  
3 title 17, Code of Federal Regulations to apply to digital  
4 assets.

5 (b) RULE REVISION REQUIRED.—Not later than 180  
6 days after the date the study required under subsection  
7 (a) is completed, the Securities and Exchange Commission  
8 shall propose rules to modernize the specified regulations.  
9 Such rules may not be unnecessary or unduly burdensome.

10 (c) SPECIFIED REGULATIONS.—In this section, the  
11 term “specified regulations” means—

12 (1) regulation NMS under part 242 of title 17,  
13 Code of Federal Regulations;

14 (2) regulation SCI under part 242 of such title;

15 (3) section 240.15c3–5 of such title; and

16 (4) section 240.15c2–11 of such title.

17 **SEC. 307. TREATMENT OF CERTAIN DIGITAL ASSETS IN**  
18 **CONNECTION WITH FEDERALLY REGULATED**  
19 **INTERMEDIARIES.**

20 Section 18(b) of the Securities Act of 1933 (15  
21 U.S.C. 77r(b)) is amended by adding at the end the fol-  
22 lowing:

23 “(5) EXEMPTION FOR CERTAIN DIGITAL ASSETS  
24 IN CONNECTION WITH FEDERALLY REGULATED  
25 INTERMEDIARIES.—A digital asset is a covered secu-

1 rity with respect to a transaction that is exempt  
2 from registration under this Act when—

3 “(A) it is brokered, traded, custodied, or  
4 cleared by a broker or dealer registered under  
5 section 15 of the Securities Exchange Act of  
6 1934; or

7 “(B) traded through an alternative trading  
8 system (as defined under section 242.301 of  
9 title 17, Code of Federal Regulations.”.

10 **SEC. 308. DUAL REGISTRATION.**

11 Any person that is registered with the Securities and  
12 Exchange Commission as a broker, dealer, or alternative  
13 trading system may register with the Commodity Futures  
14 Trading Commission, as appropriate, as—

15 (1) a digital commodity exchange under section  
16 5i of the Commodity Exchange Act (7 U.S.C. 1 et  
17 seq.), as added by this Act, if the person offers or  
18 seeks to offer a cash or spot market in at least one  
19 digital commodity;

20 (2) a digital commodity broker under section 4u  
21 of the Commodity Exchange Act, as added by this  
22 Act, if the person is engaged in soliciting or accept-  
23 ing orders in digital commodity cash or spot mar-  
24 kets; or

1 (3) a digital commodity dealer under section 4u  
2 of the Commodity Exchange Act, as added by this  
3 Act, if the person holds themselves out as a dealer in  
4 digital commodity cash or spot markets.

5 **SEC. 309. EXCLUSION FOR ANCILLARY ACTIVITIES.**

6 The Securities Exchange Act of 1934 (15 U.S.C. 78a  
7 et seq.) is amended by inserting after section 15G the fol-  
8 lowing:

9 **“SEC. 15H. EXCLUSION FOR ANCILLARY ACTIVITIES.**

10 “(a) IN GENERAL.—Notwithstanding any other pro-  
11 vision of this Act, a person shall not be subject to the  
12 regulatory requirements of this Act solely based on the  
13 person undertaking any ancillary activities.

14 “(b) EXCEPTIONS.—Subsection (a) shall not be con-  
15 strued to apply to the anti-manipulation and anti-fraud  
16 authorities of the Commission.

17 “(c) ANCILLARY ACTIVITIES DEFINED.—In this sec-  
18 tion, the term ‘ancillary activities’ means any of the fol-  
19 lowing activities related to the operation of a blockchain  
20 network:

21 “(1) Network transactions compilation, pool op-  
22 erating, relating, searching, sequencing, validating,  
23 or acting in a similar capacity with respect to a re-  
24 stricted digital asset.

1           “(2) Providing computational work, or pro-  
2           curing, offering or utilizing network bandwidth, or  
3           other similar incidental services with respect to a re-  
4           stricted digital asset.

5           “(3) Providing a user-interface that enables a  
6           user to read and access data about a blockchain net-  
7           work, send messages, or otherwise interact with a  
8           blockchain network.

9           “(4) Developing, publishing, constituting, ad-  
10          ministering, maintaining, or otherwise distributing a  
11          blockchain network.

12          “(5) Developing, publishing, constituting, ad-  
13          ministering, maintaining, or otherwise distributing  
14          software or systems that create or deploy a hard-  
15          ware or software wallet or other system facilitating  
16          an individual user’s own personal ability to keep,  
17          safeguard, or custody the user’s restricted digital as-  
18          sets or related private keys.”.



1 **TITLE IV—REGISTRATION FOR**  
2 **DIGITAL ASSET INTER-**  
3 **MEDIARIES AT THE COM-**  
4 **MODITY FUTURES TRADING**  
5 **COMMISSION**

6 **SEC. 401. COMMISSION JURISDICTION OVER DIGITAL COM-**  
7 **MODITY TRANSACTIONS.**

8 (a) IN GENERAL.—Section 2(c)(2) of the Commodity  
9 Exchange Act (7 U.S.C. 2(c)(2)) is amended—

10 (1) in subparagraph (D)(ii)—

11 (A) in subclause (III), in the matter that  
12 precedes item (aa), by inserting “of a com-  
13 modity, other than a digital commodity,” before  
14 “that”; and

15 (B) by redesignating subclauses (IV) and  
16 (V) as subclauses (V) and (VI) and inserting  
17 after subclause (III) the following:

18 “(IV) a contract of sale of a dig-  
19 ital commodity that—

20 “(aa) results in actual deliv-  
21 ery, as the Commission shall by  
22 rule determine, within 2 days or  
23 such other period as the Commis-  
24 sion may determine by rule or  
25 regulation based upon the typical

1 commercial practice in cash or  
2 spot markets for the digital com-  
3 modity involved; or

4 “(bb) is executed with a reg-  
5 istered digital commodity deal-  
6 er—

7 “(AA) directly;

8 “(BB) through a reg-  
9 istered digital commodity  
10 broker; or

11 “(CC) on or subject to  
12 the rules of a registered dig-  
13 ital commodity exchange;”;  
14 and

15 (2) by adding at the end the following:

16 “(F) COMMISSION JURISDICTION WITH RESPECT TO  
17 DIGITAL COMMODITY TRANSACTIONS.—

18 “(i) IN GENERAL.—Subject to sections 6d and  
19 12(e), the Commission shall have exclusive jurisdic-  
20 tion with respect to any account, agreement, con-  
21 tract, or transaction involving a contract of sale of  
22 a digital commodity in interstate commerce, includ-  
23 ing in a digital commodity cash or spot market, that  
24 is offered, solicited, traded, facilitated, executed,  
25 cleared, reported, or otherwise dealt in—

1 “(I) on or subject to the rules of a reg-  
2 istered entity or an entity that is required to be  
3 registered as a registered entity; or

4 “(II) by any other entity registered, or re-  
5 quired to be registered, with the Commission.

6 “(ii) LIMITATIONS.—Clause (i) shall not apply  
7 with respect to custodial or depository activities for  
8 a digital commodity, or custodial or depository ac-  
9 tivities for any promise or right to a future digital  
10 commodity, of an entity regulated by an appropriate  
11 Federal banking agency or a State bank supervisor  
12 (within the meaning of section 3 of the Federal De-  
13 posit Insurance Act).

14 “(iii) SAVINGS CLAUSE.—Clause (i) shall not  
15 affect, or be interpreted to affect, the scope of the  
16 jurisdiction of the Commission with respect to—

17 “(I) any contract for the purchase or sale  
18 of any commodity for future delivery, security  
19 futures product, or swap;

20 “(II) any agreement, contract, or trans-  
21 action described in subparagraph (C)(i) or  
22 (D)(i);

23 “(III) any commodity option authorized  
24 under section 4c; or

1 “(IV) any leverage transaction authorized  
2 under section 19.

3 “(G) AGREEMENTS, CONTRACTS, AND TRANS-  
4 ACTIONS IN STABLECOINS.—

5 “(i) IN GENERAL.—Except as provided in  
6 clause (ii)—

7 “(I) nothing in this Act governs or applies  
8 to an agreement, contract, or transaction in or  
9 with a payment stablecoin; and

10 “(II) a registered entity or other entity  
11 registered with the Commission shall not offer,  
12 offer to enter into, enter into, execute, confirm  
13 the execution of, or conduct any office or busi-  
14 ness for the purpose of soliciting, accepting any  
15 order for, or otherwise dealing in, any trans-  
16 action in, or in connection with, a payment  
17 stablecoin.

18 “(ii) PERMITTED PAYMENT STABLECOIN  
19 TRANSACTIONS.—

20 “(I) A registered entity and any other enti-  
21 ty registered with the Commission may trans-  
22 act, offer, offer to enter into, enter into, exe-  
23 cute, confirm the execution of, solicit, or accept  
24 any order for a payment stablecoin, as provided  
25 in subclauses (II) and (III).

1 “(II) The requirements of this Act shall  
2 apply to, and the Commission shall have juris-  
3 diction over, an agreement, contract, or trans-  
4 action with or for a payment stablecoin that is  
5 offered, offered to enter into, entered into, exe-  
6 cuted, confirmed the execution of, solicited, or  
7 accepted—

8 “(aa) on or subject to the rules of a  
9 registered entity that is registered with the  
10 Commission; or

11 “(bb) by any other entity registered  
12 by the Commission.

13 “(III) The provisions of this Act and the  
14 jurisdiction of the Commission shall apply to  
15 any agreement, contract, or transaction de-  
16 scribed in subclause (II) as if the payment  
17 stablecoin were a digital commodity.

18 “(IV) A registered entity and any other en-  
19 tity registered with the Commission may use a  
20 payment stablecoin in general business trans-  
21 actions that are not otherwise subject to regula-  
22 tion by the Commission.”.

23 (b) CONFORMING AMENDMENT.—Section 2(a)(1)(A)  
24 of such Act (7 U.S.C. 2(a)(1)(A)) is amended in the 1st

1 sentence by inserting “subsection (c)(2)(F) of this section  
2 or” before “section 19”.

3 **SEC. 402. REQUIRING FUTURES COMMISSION MERCHANTS**  
4 **TO USE QUALIFIED DIGITAL COMMODITY**  
5 **CUSTODIANS.**

6 Section 4d of the Commodity Exchange Act (7 U.S.C.  
7 6d) is amended—

8 (1) in subsection (a)(2)—

9 (A) in the 1st proviso, by striking “any  
10 bank or trust company” and inserting “any  
11 bank, trust company, or qualified digital com-  
12 modity custodian”; and

13 (B) by inserting “: *Provided further*, That  
14 any such property that is a digital commodity  
15 shall be held in a qualified digital commodity  
16 custodian” before the period at the end; and

17 (2) in subsection (f)(3)(A)(i), by striking “any  
18 bank or trust company” and inserting “any bank,  
19 trust company, or qualified digital commodity custo-  
20 dian”.

21 **SEC. 403. TRADING CERTIFICATION AND APPROVAL FOR**  
22 **DIGITAL COMMODITIES.**

23 Section 5c of the Commodity Exchange Act (7 U.S.C.  
24 7a–2) is amended—

1 (1) in subsection (a), by striking “5(d) and  
2 5b(c)(2)” and inserting “5(d), 5b(c)(2), and 5i(c)”;

3 (2) in subsection (b)—

4 (A) in each of paragraphs (1) and (2), by  
5 inserting “digital commodity exchange,” before  
6 “derivatives”; and

7 (B) in paragraph (3), by inserting “digital  
8 commodity exchange,” before “derivatives” each  
9 place it appears;

10 (3) in subsection (c)—

11 (A) in paragraph (2), by inserting “or par-  
12 ticipants” before “(in”;

13 (B) in paragraph (4)(B), by striking  
14 “1a(10)” and inserting “1a(9)”;

15 (C) in paragraph (5), by adding at the end  
16 the following:

17 “(D) SPECIAL RULES FOR DIGITAL COM-  
18 MODITY CONTRACTS.—In certifying any new  
19 rule or rule amendment, or listing any new con-  
20 tract or instrument, in connection with a con-  
21 tract of sale of a commodity for future delivery,  
22 option, swap, or other agreement, contract, or  
23 transaction, that is based on or references a  
24 digital commodity, a registered entity shall

1 make or rely on a certification under subsection  
2 (d) for the digital commodity.”; and

3 (4) by inserting after subsection (c) the fol-  
4 lowing:

5 “(d) CERTIFICATIONS FOR DIGITAL COMMODITY  
6 TRADING.—

7 “(1) IN GENERAL.—Notwithstanding subsection  
8 (c), for the purposes of listing or offering a digital  
9 commodity for trading in a digital commodity cash  
10 or spot market, an eligible entity shall issue a writ-  
11 ten certification that the digital commodity meets  
12 the requirements of this Act (including regulations  
13 thereunder).

14 “(2) CONTENTS OF THE CERTIFICATION.—

15 “(A) IN GENERAL.—In making a written  
16 certification under this paragraph, the eligible  
17 entity shall furnish to the Commission—

18 “(i) an analysis of how the digital  
19 commodity meets the requirements of sec-  
20 tion 5i(c)(3);

21 “(ii) information about the digital  
22 commodity regarding—

23 “(I) its purpose and use;

24 “(II) its unit creation or release  
25 process;



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1 “(III) its consensus mechanism;

2 “(IV) its governance structure;

3 “(V) its participation and dis-  
4 tribution; and

5 “(VI) its current and proposed  
6 functionality; and

7 “(iii) any other information, analysis,  
8 or documentation the Commission may, by  
9 rule, require.

10 “(B) RELIANCE ON PRIOR DISCLO-  
11 SURES.—In making a certification under this  
12 subsection, an eligible entity may rely on the  
13 records and disclosures of any relevant person  
14 registered with the Securities and Exchange  
15 Commission or other State or Federal agency.

16 “(3) MODIFICATIONS.—

17 “(A) IN GENERAL.—An eligible entity shall  
18 modify a certification made under paragraph  
19 (1) to—

20 “(i) account for significant changes in  
21 nature, operation, or functionality of the  
22 digital commodity; or

23 “(ii) permit trading in units of a dig-  
24 ital commodity which were once restricted  
25 digital assets.

1           “(B) RECERTIFICATION.—Modifications  
2           required by this subsection shall be subject to  
3           the same disapproval and review process as a  
4           new certification under paragraphs (4) and (5),  
5           unless the Commission or such registered fu-  
6           tures association (or committee thereof) to  
7           which the Commission has, by rule or order,  
8           delegated such authority finds that the digital  
9           asset no longer meets the requirements of this  
10          subsection (including regulations thereunder).

11          “(4) DISAPPROVAL.—

12                 “(A) IN GENERAL.—The written certifi-  
13                 cation described in paragraph (1) shall become  
14                 effective unless the Commission or such reg-  
15                 istered futures association (or committee there-  
16                 of) to which the Commission has, by rule or  
17                 order, delegated such authority, finds that the  
18                 digital asset does not meet the requirements of  
19                 this Act (including regulations thereunder).

20                 “(B) ANALYSIS REQUIRED.—The Commis-  
21                 sion shall include, with any findings referred to  
22                 in subparagraph (A), a detailed analysis of the  
23                 factors on which the decision was based.

24          “(5) REVIEW.—

1 “(A) IN GENERAL.—The written certifi-  
2 cation described in paragraph (1) shall become  
3 effective, pursuant to the certification by the el-  
4 igible entity and notice of the certification to  
5 the public (in a manner determined by the  
6 Commission) on the date that is—

7 “(i) 20 business days after the date  
8 the Commission receives the certification  
9 (or such shorter period as determined by  
10 the Commission by rule or regulation), in  
11 the case of a digital commodity that has  
12 not been certified under this section or for  
13 which a certification is being modified  
14 under paragraph (3); or

15 “(ii) 2 business days after the date  
16 the Commission receives the certification  
17 (or such shorter period as determined by  
18 the Commission by rule or regulation) for  
19 any digital commodity that has been cer-  
20 tified under this section.

21 “(B) EXTENSIONS.—The time for consid-  
22 eration under subparagraph (A) may be ex-  
23 tended through notice to the eligible entity that  
24 there are novel or complex issues that require  
25 additional time to analyze, that the explanation

1 by the submitting eligible entity is inadequate,  
2 or of a potential inconsistency with this Act—

3 “(i) once, for 30 business days,  
4 through written notice to the eligible entity  
5 by the Chairman or such other executive  
6 office of a registered futures association to  
7 which the Commission has, by rule or  
8 order, delegated such authority; and

9 “(ii) once, for an additional 30 busi-  
10 ness days, through written notice to the  
11 digital commodity exchange from the Com-  
12 mission or such registered futures associa-  
13 tion (or committee thereof) to which the  
14 Commission has, by rule or order, dele-  
15 gated such authority, that includes a de-  
16 scription of any deficiencies with the cer-  
17 tification, including any—

18 “(I) novel or complex issues  
19 which require additional time to ana-  
20 lyze;

21 “(II) missing information or in-  
22 adequate explanations; or

23 “(III) potential inconsistencies  
24 with this Act.

1           “(6) CERTIFICATION REQUIRED.—Notwith-  
2           standing any other requirement of this Act, a reg-  
3           istered entity or other entity registered with the  
4           Commission shall not list for trading, accept for  
5           clearing, offer to enter into, enter into, execute, con-  
6           firm the execution of, or conduct any office or busi-  
7           ness anywhere in the United States, its territories or  
8           possessions, for the purpose of soliciting, or accept-  
9           ing any order for, or otherwise dealing in, any trans-  
10          action in, or in connection with, a digital asset, un-  
11          less a certification has been made under this section  
12          for the digital asset.

13           “(7) ELIGIBLE ENTITY DEFINED.—In this sub-  
14          section, the term ‘eligible entity’ means a registered  
15          entity or group of registered entities acting jointly.”.

16 **SEC. 404. REGISTRATION OF DIGITAL COMMODITY EX-**  
17 **CHANGES.**

18          The Commodity Exchange Act (7 U.S.C. 1 et seq.)  
19 is amended by inserting after section 5h the following:

20 **“SEC. 5i. REGISTRATION OF DIGITAL COMMODITY EX-**  
21 **CHANGES.**

22          “(a) IN GENERAL.—

23               “(1) REGISTRATION.—

24                   “(A) IN GENERAL.—A trading facility that  
25                   offers or seeks to offer a cash or spot market

1 in at least 1 digital commodity shall register  
2 with the Commission as a digital commodity ex-  
3 change.

4 “(B) APPLICATION.—A person desiring to  
5 register as a digital commodity exchange shall  
6 submit to the Commission an application in  
7 such form and containing such information as  
8 the Commission may require for the purpose of  
9 making the determinations required for ap-  
10 proval.

11 “(C) EXEMPTIONS.—A trading facility  
12 that offers or seeks to offer a cash or spot mar-  
13 ket in at least 1 digital commodity shall not be  
14 required to register under this section if the  
15 trading facility—

16 “(i) permits no more than a de mini-  
17 mis amount of trading activity; or

18 “(ii) serves only customers in a single  
19 State or territory.

20 “(2) ADDITIONAL REGISTRATIONS.—

21 “(A) WITH THE COMMISSION.—

22 “(i) IN GENERAL.—A registered dig-  
23 ital commodity exchange may also register  
24 as—

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1 “(I) a designated contract mar-  
2 ket;

3 “(II) a swap execution facility; or

4 “(III) a digital commodity  
5 broker.

6 “(ii) RULES.—The Commission shall  
7 prescribe rules for an entity with multiple  
8 registrations under clause (i) to—

9 “(I) exempt the entity from du-  
10 plicative, conflicting, or unduly bur-  
11 densome provisions of this Act and  
12 the rules under this Act, to the extent  
13 such an exemption would foster the  
14 development of fair and orderly cash  
15 or spot markets in digital commod-  
16 ities, be necessary or appropriate in  
17 the public interest, and be consistent  
18 with the protection of customers; and

19 “(II) provide for portfolio mar-  
20 gining.

21 “(B) WITH THE SECURITIES AND EX-  
22 CHANGE COMMISSION.—A registered digital  
23 commodity exchange may register with the Se-  
24 curities and Exchange Commission as an alter-

1 native trading system to list or trade contracts  
2 of sale for digital assets deemed securities.

3 “(C) WITH A REGISTERED FUTURES ASSO-  
4 CIATION.—

5 “(i) IN GENERAL.—A registered dig-  
6 ital commodity exchange shall also be a  
7 member of a registered futures association  
8 and comply with rules related to such ac-  
9 tivity, if the registered digital commodity  
10 exchange—

11 “(I) accepts customer funds re-  
12 quired to be segregated under sub-  
13 section (d); or

14 “(II) maintains an account for  
15 the trading of digital commodities di-  
16 rectly with any person who is not an  
17 eligible contract participant under  
18 subsection (e).

19 “(ii) RULEMAKING REQUIRED.—The  
20 Commission shall require any registered  
21 futures association with a digital com-  
22 modity exchange as a member to provide  
23 such rules as may be necessary to further  
24 compliance with subsections (d) and (e),



1 protect customers, and promote the public  
2 interest.

3 “(D) REGISTRATION REQUIRED.—A per-  
4 son required to be registered as a digital com-  
5 modity exchange under this section shall reg-  
6 ister with the Commission as such regardless of  
7 whether the person is registered as such with  
8 another State or Federal regulator.

9 “(b) TRADING.—

10 “(1) PROHIBITION ON CERTAIN TRADING PRAC-  
11 TICES.—

12 “(A) Section 4b shall apply to any agree-  
13 ment, contract, or transaction in a digital com-  
14 modity as if the agreement, contract, or trans-  
15 action were a contract of sale of a commodity  
16 for future delivery.

17 “(B) Section 4c shall apply to any agree-  
18 ment, contract, or transaction in a digital com-  
19 modity as if the agreement, contract, or trans-  
20 action were a transaction involving the purchase  
21 or sale of a commodity for future delivery.

22 “(2) PROHIBITION ON CERTAIN TRADING AC-  
23 TIVITIES.—A registered digital commodity exchange  
24 shall not—

1 “(A) offer any contract of sale of a com-  
2 modity for future delivery, option, or swap for  
3 trading without also being registered as a des-  
4 ignated contract market or swap execution fa-  
5 cility;

6 “(B) act as counterparty to any margined,  
7 leveraged, or financed transaction under section  
8 2(c)(2)(D); or

9 “(C) act as any counterparty to any mar-  
10 gined, leveraged, or financed transaction under  
11 section 2(c)(2)(C) without also being registered  
12 in a capacity determined by the Commission by  
13 rule or regulation.

14 “(3) TRADING SECURITIES.—A registered dig-  
15 ital commodity exchange that is also registered with  
16 the Securities and Exchange Commission may offer  
17 a contract of sale of a digital asset deemed a secu-  
18 rity.

19 “(4) RULES FOR CERTAIN DIGITAL ASSET  
20 SALES.—The digital commodity exchange shall have  
21 in place such rules as may be necessary to reason-  
22 ably ensure the orderly sale of any unit of a digital  
23 commodity sold by a related person or an affiliated  
24 person.

1 “(c) CORE PRINCIPLES FOR DIGITAL COMMODITY  
2 EXCHANGES.—

3 “(1) COMPLIANCE WITH CORE PRINCIPLES.—

4 “(A) IN GENERAL.—To be registered, and  
5 maintain registration, as a digital commodity  
6 exchange, a digital commodity exchange shall  
7 comply with—

8 “(i) the core principles described in  
9 this subsection; and

10 “(ii) any requirement that the Com-  
11 mission may impose by rule or regulation  
12 pursuant to section 8a(5).

13 “(B) REASONABLE DISCRETION OF A DIG-  
14 ITAL COMMODITY EXCHANGE.—Unless other-  
15 wise determined by the Commission by rule or  
16 regulation, a digital commodity exchange de-  
17 scribed in subparagraph (A) shall have reason-  
18 able discretion in establishing the manner in  
19 which the digital commodity exchange complies  
20 with the core principles described in this sub-  
21 section.

22 “(2) COMPLIANCE WITH RULES.—A digital  
23 commodity exchange shall—

1 “(A) establish and enforce compliance with  
2 any rule of the digital commodity exchange, in-  
3 cluding—

4 “(i) the terms and conditions of the  
5 trades traded or processed on or through  
6 the digital commodity exchange; and

7 “(ii) any limitation on access to the  
8 digital commodity exchange;

9 “(B) establish and enforce trading, trade  
10 processing, and participation rules that will  
11 deter abuses and have the capacity to detect,  
12 investigate, and enforce those rules, including  
13 means—

14 “(i) to provide market participants  
15 with impartial access to the market; and

16 “(ii) to capture information that may  
17 be used in establishing whether rule viola-  
18 tions have occurred; and

19 “(C) establish rules governing the oper-  
20 ation of the exchange, including rules specifying  
21 trading procedures to be used in entering and  
22 executing orders traded or posted on the facil-  
23 ity.

24 “(3) LISTING STANDARDS FOR DIGITAL COM-  
25 MODITIES.—

1 “(A) IN GENERAL.—A digital commodity  
2 exchange shall permit trading in only a digital  
3 commodity that is not readily susceptible to ma-  
4 nipulation.

5 “(B) PUBLIC INFORMATION REQUIRE-  
6 MENTS.—

7 “(i) IN GENERAL.—A digital com-  
8 modity exchange shall permit trading only  
9 in a digital commodity if the information  
10 required in clause (ii) is correct, current,  
11 and available to this public.

12 “(ii) REQUIRED INFORMATION.—  
13 With respect to a digital commodity and  
14 each blockchain network to which the dig-  
15 ital commodity relates for which the digital  
16 commodity exchange will make the digital  
17 asset available to the customers of the dig-  
18 ital commodity exchange, the information  
19 required in this clause is as follows:

20 “(I) SOURCE CODE.—The source  
21 code for any blockchain network to  
22 which the digital commodity relates.

23 “(II) TRANSACTION HISTORY.—A  
24 narrative description of the steps nec-  
25 essary to independently access, search,

1 and verify the transaction history of  
2 any blockchain network to which the  
3 digital commodity relates.

4 “(III) DIGITAL ASSET ECONOM-  
5 ICS.—A narrative description of the  
6 purpose of any blockchain network to  
7 which the digital asset relates and the  
8 operation of any such blockchain net-  
9 work, including—

10 “(aa) information explaining  
11 the launch and supply process,  
12 including the number of digital  
13 assets to be issued in an initial  
14 allocation, the total number of  
15 digital assets to be created, the  
16 release schedule for the digital  
17 assets, and the total number of  
18 digital assets then outstanding;

19 “(bb) information detailing  
20 any applicable consensus mecha-  
21 nism or process for validating  
22 transactions, method of gener-  
23 ating or mining digital assets,  
24 and any process for burning or

1 destroying digital assets on the  
2 blockchain network;

3 “(cc) an explanation of gov-  
4 ernance mechanisms for imple-  
5 menting changes to the  
6 blockchain network or forming  
7 consensus among holders of the  
8 digital assets; and

9 “(dd) sufficient information  
10 for a third party to create a tool  
11 for verifying the transaction his-  
12 tory of the digital asset.

13 “(C) ADDITIONAL LISTING CONSIDER-  
14 ATIONS.—In addition to the requirements of  
15 subparagraphs (A) and (B), a digital com-  
16 modity exchange shall consider—

17 “(i) whether a sufficient percentage of  
18 the units of the digital asset are units of  
19 a digital commodity to permit robust price  
20 discovery;

21 “(ii) whether it is reasonably unlikely  
22 that the transaction history can be fraudu-  
23 lently altered by any person or group of  
24 persons acting collectively;

1 “(iii) whether the operating structure  
2 and system of the digital commodity is se-  
3 cure from cybersecurity threats;

4 “(iv) whether the functionality of the  
5 digital commodity will protect holders from  
6 operational failures;

7 “(v) whether sufficient public informa-  
8 tion about the operation, functionality, and  
9 use of the digital commodity is available;  
10 and

11 “(vi) any other factor which the Com-  
12 mission has, by rule, determined to be in  
13 the public interest or in furtherance of the  
14 requirements of this Act.

15 “(D) RESTRICTED DIGITAL ASSETS.—A  
16 digital commodity exchange shall not permit the  
17 trading of a unit of a digital asset that is a re-  
18 stricted digital asset.

19 “(4) TREATMENT OF CUSTOMER ASSETS.—A  
20 digital commodity exchange shall establish standards  
21 and procedures that are designed to protect and en-  
22 sure the safety of customer money, assets, and prop-  
23 erty.

24 “(5) MONITORING OF TRADING AND TRADE  
25 PROCESSING.—



1 “(A) IN GENERAL.—A digital commodity  
2 exchange shall provide a competitive, open, and  
3 efficient market and mechanism for executing  
4 transactions that protects the price discovery  
5 process of trading on the exchange.

6 “(B) PROTECTION OF MARKETS AND MAR-  
7 KET PARTICIPANTS.—A digital commodity ex-  
8 change shall establish and enforce rules—

9 “(i) to protect markets and market  
10 participants from abusive practices com-  
11 mitted by any party, including abusive  
12 practices committed by a party acting as  
13 an agent for a participant; and

14 “(ii) to promote fair and equitable  
15 trading on the exchange.

16 “(C) TRADING PROCEDURES.—A digital  
17 commodity exchange shall—

18 “(i) establish and enforce rules or  
19 terms and conditions defining, or specifica-  
20 tions detailing—

21 “(I) trading procedures to be  
22 used in entering and executing orders  
23 traded on or through the facilities of  
24 the digital commodity exchange; and

1 “(II) procedures for trade proc-  
2 essing of digital commodities on or  
3 through the facilities of the digital  
4 commodity exchange; and

5 “(ii) monitor trading in digital com-  
6 modities to prevent manipulation, price  
7 distortion, and disruptions of the delivery  
8 or cash settlement process through surveil-  
9 lance, compliance, and disciplinary prac-  
10 tices and procedures, including methods  
11 for conducting real-time monitoring of  
12 trading and comprehensive and accurate  
13 trade reconstructions.

14 “(6) ABILITY TO OBTAIN INFORMATION.—A  
15 digital commodity exchange shall—

16 “(A) establish and enforce rules that will  
17 allow the facility to obtain any necessary infor-  
18 mation to perform any of the functions de-  
19 scribed in this section;

20 “(B) provide the information to the Com-  
21 mission on request; and

22 “(C) have the capacity to carry out such  
23 international information-sharing agreements as  
24 the Commission may require.

1 “(7) EMERGENCY AUTHORITY.—A digital com-  
2 modity exchange shall adopt rules to provide for the  
3 exercise of emergency authority, in consultation or  
4 cooperation with the Commission or a registered en-  
5 tity, as is necessary and appropriate, including the  
6 authority to facilitate the liquidation or transfer of  
7 open positions in any digital commodity or to sus-  
8 pend or curtail trading in a digital commodity.

9 “(8) TIMELY PUBLICATION OF TRADING INFOR-  
10 MATION.—

11 “(A) IN GENERAL.—A digital commodity  
12 exchange shall make public timely information  
13 on price, trading volume, and other trading  
14 data on digital commodities to the extent pre-  
15 scribed by the Commission.

16 “(B) CAPACITY OF DIGITAL COMMODITY  
17 EXCHANGE.—A digital commodity exchange  
18 shall have the capacity to electronically capture  
19 and transmit trade information with respect to  
20 transactions executed on the exchange.

21 “(9) RECORDKEEPING AND REPORTING.—

22 “(A) IN GENERAL.—A digital commodity  
23 exchange shall—

24 “(i) maintain records of all activities  
25 relating to the business of the facility, in-

1 cluding a complete audit trail, in a form  
2 and manner acceptable to the Commission  
3 for a period of 5 years;

4 “(ii) report to the Commission, in a  
5 form and manner acceptable to the Com-  
6 mission, such information as the Commis-  
7 sion determines to be necessary or appro-  
8 priate for the Commission to perform the  
9 duties of the Commission under this Act;  
10 and

11 “(iii) keep any such records of digital  
12 commodities which relate to a security  
13 open to inspection and examination by the  
14 Securities and Exchange Commission.

15 “(B) INFORMATION-SHARING.—Subject to  
16 section 8, and on request, the Commission shall  
17 share information collected under subparagraph  
18 (A) with—

19 “(i) the Board;

20 “(ii) the Securities and Exchange  
21 Commission;

22 “(iii) each appropriate Federal bank-  
23 ing agency;

1 “(iv) each appropriate State bank su-  
2 pervisor (within the meaning of section 3  
3 of the Federal Deposit Insurance Act);

4 “(v) the Financial Stability Oversight  
5 Council;

6 “(vi) the Department of Justice; and

7 “(vii) any other person that the Com-  
8 mission determines to be appropriate, in-  
9 cluding—

10 “(I) foreign financial supervisors  
11 (including foreign futures authorities);

12 “(II) foreign central banks; and

13 “(III) foreign ministries.

14 “(C) CONFIDENTIALITY AGREEMENT.—Be-  
15 fore the Commission may share information  
16 with any entity described in subparagraph (B),  
17 the Commission shall receive a written agree-  
18 ment from the entity stating that the entity  
19 shall abide by the confidentiality requirements  
20 described in section 8 relating to the informa-  
21 tion on digital commodities that is provided.

22 “(D) PROVIDING INFORMATION.—A digital  
23 commodity exchange shall provide to the Com-  
24 mission (including any designee of the Commis-  
25 sion) information under subparagraph (A) in

1 such form and at such frequency as is required  
2 by the Commission.

3 “(10) ANTITRUST CONSIDERATIONS.—Unless  
4 necessary or appropriate to achieve the purposes of  
5 this Act, a digital commodity exchange shall not—

6 “(A) adopt any rules or take any actions  
7 that result in any unreasonable restraint of  
8 trade; or

9 “(B) impose any material anticompetitive  
10 burden on trading.

11 “(11) CONFLICTS OF INTEREST.—A registered  
12 digital commodity exchange shall implement conflict-  
13 of-interest systems and procedures that—

14 “(A) establish structural and institutional  
15 safeguards—

16 “(i) to minimize conflicts of interest  
17 that might potentially bias the judgment or  
18 supervision of the digital commodity ex-  
19 change and contravene the principles of  
20 fair and equitable trading and the business  
21 conduct standards described in this Act,  
22 including conflicts arising out of trans-  
23 actions or arrangements with affiliates (in-  
24 cluding affiliates engaging in digital com-  
25 modity activities) which may include infor-

1 mation partitions and the legal separation  
2 of different persons or entities involved in  
3 digital commodity activities; and

4 “(ii) to ensure that the activities of  
5 any person within the digital commodity  
6 exchange or any affiliated entity relating to  
7 research or analysis of the price or market  
8 for any digital commodity or acting in a  
9 role of providing dealing, brokering, or ad-  
10 vising activities are separated by appro-  
11 priate informational partitions within the  
12 digital commodity exchange or any affili-  
13 ated entity from the review, pressure, or  
14 oversight of persons whose involvement in  
15 pricing, trading, exchange, or clearing ac-  
16 tivities might potentially bias their judg-  
17 ment or supervision and contravene the  
18 core principles of open access and the busi-  
19 ness conduct standards described in this  
20 Act; and

21 “(B) address such other issues as the  
22 Commission determines to be appropriate.

23 “(12) FINANCIAL RESOURCES.—

24 “(A) IN GENERAL.—A digital commodity  
25 exchange shall have adequate financial, oper-

1 ational, and managerial resources, as deter-  
2 mined by the Commission, to discharge each re-  
3 sponsibility of the digital commodity exchange.

4 “(B) MINIMUM AMOUNT OF FINANCIAL RE-  
5 SOURCES.—A digital commodity exchange shall  
6 possess financial resources that, at a minimum,  
7 exceed the total amount that would enable the  
8 digital commodity exchange to conduct an or-  
9 derly wind-down of its activities.

10 “(13) GOVERNANCE FITNESS STANDARDS.—

11 “(A) GOVERNANCE ARRANGEMENTS.—A  
12 digital commodity exchange shall establish gov-  
13 ernance arrangements that are transparent to  
14 fulfill public interest requirements.

15 “(B) FITNESS STANDARDS.—A digital  
16 commodity exchange shall establish and enforce  
17 appropriate fitness standards for—

18 “(i) directors; and

19 “(ii) any individual or entity with di-  
20 rect access to, or control of, customer as-  
21 sets.

22 “(14) SYSTEM SAFEGUARDS.—A digital com-  
23 modity exchange shall—

24 “(A) establish and maintain a program of  
25 risk analysis and oversight to identify and mini-



1 mize sources of operational and security risks,  
2 through the development of appropriate controls  
3 and procedures, and automated systems, that—

4 “(i) are reliable and secure; and

5 “(ii) have adequate scalable capacity;

6 “(B) establish and maintain emergency  
7 procedures, backup facilities, and a plan for dis-  
8 aster recovery that allow for—

9 “(i) the timely recovery and resump-  
10 tion of operations; and

11 “(ii) the fulfillment of the responsibil-  
12 ities and obligations of the digital com-  
13 modity exchange; and

14 “(C) periodically conduct tests to verify  
15 that the backup resources of the digital com-  
16 modity exchange are sufficient to ensure contin-  
17 ued—

18 “(i) order processing and trade  
19 matching;

20 “(ii) price reporting;

21 “(iii) market surveillance; and

22 “(iv) maintenance of a comprehensive  
23 and accurate audit trail.

24 “(d) HOLDING OF CUSTOMER ASSETS.—

1           “(1) IN GENERAL.—A digital commodity ex-  
2           change shall hold customer money, assets, and prop-  
3           erty in a manner to minimize the risk of loss to the  
4           customer or unreasonable delay in the access to the  
5           money, assets, and property of the customer.

6           “(A) SEGREGATION OF FUNDS.—

7                   “(i) IN GENERAL.—A digital com-  
8           modity exchange shall treat and deal with  
9           all money, assets, and property that is re-  
10          ceived by the digital commodity exchange,  
11          or accrues to a customer as the result of  
12          trading in digital commodities, as belong-  
13          ing to the customer.

14                  “(ii) COMMINGLING PROHIBITED.—  
15          Money, assets, and property of a customer  
16          described in clause (i) shall be separately  
17          accounted for and shall not be commingled  
18          with the funds of the digital commodity ex-  
19          change or be used to margin, secure, or  
20          guarantee any trades or accounts of any  
21          customer or person other than the person  
22          for whom the same are held.

23           “(B) EXCEPTIONS.—

24                  “(i) USE OF FUNDS.—

1                   “(I) IN GENERAL.—Notwith-  
2                   standing subparagraph (A), money,  
3                   assets, and property of customers of a  
4                   digital commodity exchange described  
5                   in subparagraph (A) may, for conven-  
6                   ience, be commingled and deposited in  
7                   the same account or accounts with  
8                   any bank, trust company, derivatives  
9                   clearing organization, or qualified dig-  
10                  ital commodity custodian.

11                  “(II) WITHDRAWAL.—Notwith-  
12                  standing subparagraph (A), such  
13                  share of the money, assets, and prop-  
14                  erty described in item (aa) as in the  
15                  normal course of business shall be  
16                  necessary to margin, guarantee, se-  
17                  cure, transfer, adjust, or settle a con-  
18                  tract of sale of a digital commodity  
19                  with a registered entity may be with-  
20                  drawn and applied to such purposes,  
21                  including the payment of commis-  
22                  sions, brokerage, interest, taxes, stor-  
23                  age, and other charges, lawfully ac-  
24                  cruing in connection with the contract  
25                  of sale of a digital commodity.

1           “(ii) COMMISSION ACTION.—Notwith-  
2           standing subparagraph (A), in accordance  
3           with such terms and conditions as the  
4           Commission may prescribe by rule, regula-  
5           tion, or order, any money, assets, or prop-  
6           erty of the customers of a digital com-  
7           modity exchange described in subpara-  
8           graph (A) may be commingled and depos-  
9           ited in customer accounts with any other  
10          money, assets, or property received by the  
11          digital commodity exchange and required  
12          by the Commission to be separately ac-  
13          counted for and treated and dealt with as  
14          belonging to the customer of the digital  
15          commodity exchange.

16          “(2) PERMITTED INVESTMENTS.—Money de-  
17          scribed in subparagraph (A) may be invested in obli-  
18          gations of the United States, in general obligations  
19          of any State or of any political subdivision of a  
20          State, and in obligations fully guaranteed as to prin-  
21          cipal and interest by the United States, or in any  
22          other investment that the Commission may by rule  
23          or regulation prescribe, and such investments shall  
24          be made in accordance with such rules and regula-

1        tions and subject to such conditions as the Commis-  
2        sion may prescribe.

3            “(3) CUSTOMER PROTECTION DURING BANK-  
4        RUPTCY.—

5            “(A) CUSTOMER PROPERTY.—All assets  
6        held on behalf of a customer by a digital com-  
7        modity exchange, and all money, assets, and  
8        property of any customer received by a digital  
9        commodity exchange registered under section 5i  
10       of this Act for trading or custody, or to facili-  
11       tate, margin, guarantee, or secure contracts of  
12       sale of a digital commodity (including money,  
13       assets, or property accruing to the customer as  
14       the result of the transactions), shall be consid-  
15       ered customer property for purposes of section  
16       761 of title 11, United States Code.

17           “(B) TRANSACTIONS.—A transaction in-  
18       volving a unit of a digital commodity occurring  
19       on or subject to the rules of a digital com-  
20       modity exchange shall be considered a ‘contract  
21       for the purchase or sale of a commodity for fu-  
22       ture delivery, on or subject to the rules of, a  
23       contract market or board of trade’ for the pur-  
24       poses of the definition of a ‘commodity con-

1           tract’ in section 761 of title 11, United States  
2           Code.

3           “(C) EXCHANGES.—A digital commodity  
4           exchange shall be considered a futures commis-  
5           sion merchant for purposes of section 761 of  
6           title 11, United States Code.

7           “(4) MISUSE OF CUSTOMER PROPERTY.—It  
8           shall be unlawful—

9           “(A) for any digital commodity exchange  
10          that has received any customer money, assets,  
11          or property for custody to dispose of, or use any  
12          such money, assets, or property as belonging to  
13          the digital commodity exchange; or

14          “(B) for any other person, including any  
15          depository, other digital commodity exchange,  
16          or digital commodity custodian that has re-  
17          ceived any customer money, assets, or property  
18          for deposit, to hold, dispose of, or use any such  
19          money, assets, or property as belonging to the  
20          depositing digital commodity exchange or any  
21          person other than the customers of the digital  
22          commodity exchange.

23          “(e) CUSTOMER PROTECTION.—For each registered  
24          digital commodity exchange that maintains an account for  
25          the trading of digital commodities directly with a person

1 who is not an eligible contract participant, the Commission  
2 shall require the digital commodity exchange to register  
3 as a digital commodity broker, solely to solicit orders for  
4 the digital commodity exchange, directly from any person  
5 who is not an eligible contract participant.

6 “(f) DESIGNATION OF CHIEF COMPLIANCE OFFI-  
7 CER.—

8 “(1) IN GENERAL.—A digital commodity ex-  
9 change shall designate an individual to serve as a  
10 chief compliance officer.

11 “(2) DUTIES.—The chief compliance officer  
12 shall—

13 “(A) report directly to the board or to the  
14 senior officer of the exchange;

15 “(B) review compliance with the core prin-  
16 ciples in this subsection;

17 “(C) in consultation with the board of the  
18 exchange, a body performing a function similar  
19 to that of a board, or the senior officer of the  
20 exchange, resolve any conflicts of interest that  
21 may arise;

22 “(D) establish and administer the policies  
23 and procedures required to be established pur-  
24 suant to this section;

1 “(E) ensure compliance with this Act and  
2 the rules and regulations issued under this Act,  
3 including rules prescribed by the Commission  
4 pursuant to this section; and

5 “(F) establish procedures for the remedi-  
6 ation of noncompliance issues found during  
7 compliance office reviews, look backs, internal  
8 or external audit findings, self-reported errors,  
9 or through validated complaints.

10 “(3) REQUIREMENTS FOR PROCEDURES.—In  
11 establishing procedures under paragraph (2)(F), the  
12 chief compliance officer shall design the procedures  
13 to establish the handling, management response, re-  
14 mediation, retesting, and closing of noncompliance  
15 issues.

16 “(4) ANNUAL REPORTS.—

17 “(A) IN GENERAL.—In accordance with  
18 rules prescribed by the Commission, the chief  
19 compliance officer shall annually prepare and  
20 sign a report that contains a description of—

21 “(i) the compliance of the digital com-  
22 modity exchange with this Act; and

23 “(ii) the policies and procedures, in-  
24 cluding the code of ethics and conflict of



1 interest policies, of the digital commodity  
2 exchange.

3 “(B) REQUIREMENTS.—The chief compli-  
4 ance officer shall—

5 “(i) submit each report described in  
6 subparagraph (A) with the appropriate fi-  
7 nancial report of the digital commodity ex-  
8 change that is required to be submitted to  
9 the Commission pursuant to this section;  
10 and

11 “(ii) include in the report a certifi-  
12 cation that, under penalty of law, the re-  
13 port is accurate and complete.

14 “(g) APPOINTMENT OF TRUSTEE.—

15 “(1) IN GENERAL.—If a proceeding under sec-  
16 tion 5e results in the suspension or revocation of the  
17 registration of a digital commodity exchange, or if a  
18 digital commodity exchange withdraws from registra-  
19 tion, the Commission, on notice to the digital com-  
20 modity exchange, may apply to the appropriate  
21 United States district court where the digital com-  
22 modity exchange is located for the appointment of a  
23 trustee.

1 “(2) ASSUMPTION OF JURISDICTION.—If the  
2 Commission applies for appointment of a trustee  
3 under paragraph (1)—

4 “(A) the court may take exclusive jurisdic-  
5 tion over the digital commodity exchange and  
6 the records and assets of the digital commodity  
7 exchange, wherever located; and

8 “(B) if the court takes jurisdiction under  
9 subparagraph (A), the court shall appoint the  
10 Commission, or a person designated by the  
11 Commission, as trustee with power to take pos-  
12 session and continue to operate or terminate  
13 the operations of the digital commodity ex-  
14 change in an orderly manner for the protection  
15 of customers subject to such terms and condi-  
16 tions as the court may prescribe.

17 “(h) QUALIFIED DIGITAL COMMODITY CUSTO-  
18 DIAN.—A digital commodity exchange shall hold in a  
19 qualified digital commodity custodian each unit of a digital  
20 commodity that is—

21 “(1) the property of a customer of the digital  
22 commodity exchange;

23 “(2) required to be held by the digital com-  
24 modity exchange under subsection (c)(12) of this  
25 section; or

1 “(3) otherwise so required by the Commission  
2 to reasonably protect customers or promote the pub-  
3 lic interest.

4 “(i) EXEMPTIONS.—In order to promote responsible  
5 economic or financial innovation and fair competition, or  
6 protect customers, the Commission may (on its own initia-  
7 tive or on application of the registered digital commodity  
8 exchange) exempt, either unconditionally or on stated  
9 terms or conditions or for stated periods and either retro-  
10 actively or prospectively, or both, a registered digital com-  
11 modity exchange from the requirements of this section, if  
12 the Commission determines that—

13 “(1)(A) the exemption would be consistent with  
14 the public interest and the purposes of this Act; and

15 “(B) the exemption will not have a material ad-  
16 verse effect on the ability of the Commission or the  
17 digital commodity exchange to discharge regulatory  
18 or self-regulatory duties under this Act; or

19 “(2) the digital commodity exchange is subject  
20 to comparable, comprehensive supervision and regu-  
21 lation by the appropriate government authorities in  
22 the home country of the exchange.

23 “(j) CUSTOMER DEFINED.—In this section, the term  
24 ‘customer’ means any person that maintains an account  
25 for the trading of digital commodities directly with a dig-

1 ital commodity exchange (other than a person that is  
2 owned or controlled, directly or indirectly, by the digital  
3 commodity exchange) for its own behalf or on behalf of  
4 other any person.

5 “(k) FEDERAL PREEMPTION.—Notwithstanding any  
6 other provision of law, the Commission shall have exclusive  
7 jurisdiction over any digital commodity exchange reg-  
8 istered under this section.”.

9 **SEC. 405. QUALIFIED DIGITAL COMMODITY CUSTODIANS.**

10 The Commodity Exchange Act (7 U.S.C. 1 et seq.),  
11 as amended by the preceding provisions of this Act, is  
12 amended by inserting after section 5i the following:

13 **“SEC. 5j. QUALIFIED DIGITAL COMMODITY CUSTODIANS.**

14 “(a) IN GENERAL.—The Commission shall designate  
15 a digital commodity custodian as a qualified digital com-  
16 modity custodian, if—

17 “(1) the digital commodity custodian is—

18 “(A) subject to the supervision of the Com-  
19 mission, an appropriate Federal banking agen-  
20 cy, or the Securities and Exchange Commission,  
21 and permitted by the supervisor to engage in  
22 custodial activity;

23 “(B) subject to the supervision of a State  
24 bank supervisor (within the meaning of section  
25 3 of the Federal Deposit Insurance Act), unless

1 the Commission finds the digital commodity  
2 custodian is not subject to adequate supervision  
3 and appropriate regulation; or

4 “(C) subject to the supervision of an ap-  
5 propriate foreign governmental authority in the  
6 home country of the digital commodity custo-  
7 dian, if the Commission finds that the digital  
8 commodity custodian is subject to adequate su-  
9 pervision and appropriate regulation; and

10 “(2) the digital commodity custodian agrees to  
11 such regular and periodic sharing of information re-  
12 garding any accounts relating to an entity registered  
13 with the Commission, as the Commission determines  
14 by rule shall be reasonably necessary to effectuate  
15 any of the provisions, or to accomplish any of the  
16 purposes, of this Act.

17 “(b) RULEMAKING AUTHORITY.—For purposes of  
18 subsection (a), the Commission, by rule or order, shall de-  
19 fine ‘adequate supervision’ and ‘appropriate regulation’ as  
20 any regulatory regime which meets such minimum stand-  
21 ards for supervision and regulation as the Commission de-  
22 termines are reasonably necessary to protect the property  
23 of customers of a registered digital commodity exchange,  
24 including minimum standards relating to—

25 “(1) accessibility of customer assets;

- 1 “(2) financial resources;  
2 “(3) risk management requirements;  
3 “(4) governance arrangements;  
4 “(5) fitness standards;  
5 “(6) recordkeeping;  
6 “(7) information-sharing; and  
7 “(8) conflicts of interest.

8 “(c) AUTHORITY TO TEMPORARILY SUSPEND STAND-  
9 ARDS.—The Commission may, by rule or order, tempo-  
10 rarily suspend, in whole or in part, any requirement im-  
11 posed under, or any standard referred to in, this section  
12 if the Commission determines that the suspension would  
13 be consistent with the public interest and the purposes of  
14 this Act.”.

15 **SEC. 406. REGISTRATION AND REGULATION OF DIGITAL**  
16 **COMMODITY BROKERS AND DEALERS.**

17 The Commodity Exchange Act (7 U.S.C. 1 et seq.),  
18 as amended by the preceding provisions of this Act, is  
19 amended by inserting after section 4t the following:

20 **“SEC. 4u. REGISTRATION AND REGULATION OF DIGITAL**  
21 **COMMODITY BROKERS AND DEALERS.**

22 “(a) REGISTRATION.—It shall be unlawful for any  
23 person to act as a digital commodity broker or digital com-  
24 modity dealer unless the person is registered as such with  
25 the Commission.

1 “(b) REQUIREMENTS.—

2 “(1) IN GENERAL.—A person shall register as  
3 a digital commodity broker or digital commodity  
4 dealer by filing a registration application with the  
5 Commission.

6 “(2) CONTENTS.—

7 “(A) IN GENERAL.—The application shall  
8 be made in such form and manner as is pre-  
9 scribed by the Commission, and shall contain  
10 such information as the Commission considers  
11 necessary concerning the business in which the  
12 applicant is or will be engaged.

13 “(B) CONTINUAL REPORTING.—A person  
14 that is registered as a digital commodity broker  
15 or digital commodity dealer shall continue to  
16 submit to the Commission reports that contain  
17 such information pertaining to the business of  
18 the person as the Commission may require.

19 “(3) TRANSITION.—Within 180 days after the  
20 date of the enactment of this section, the Commis-  
21 sion shall prescribe rules providing for the registra-  
22 tion of digital commodity brokers and digital com-  
23 modity dealers under this section.

24 “(4) STATUTORY DISQUALIFICATION.—Except  
25 to the extent otherwise specifically provided by rule,

1 regulation, or order, it shall be unlawful for a digital  
2 commodity broker or digital commodity dealer to  
3 permit any person who is associated with a digital  
4 commodity broker or a digital commodity dealer and  
5 who is subject to a statutory disqualification to ef-  
6 fect or be involved in effecting a transaction on be-  
7 half of the digital commodity broker or the digital  
8 commodity dealer, respectively, if the digital com-  
9 modity broker or digital commodity dealer, respec-  
10 tively, knew, or in the exercise of reasonable care  
11 should have known, of the statutory disqualification.

12 “(5) LIMITATIONS ON CERTAIN ASSETS.—A  
13 registered digital commodity broker or registered  
14 digital commodity dealer shall not offer, offer to  
15 enter into, enter into, or facilitate any transaction  
16 with a digital commodity which has not been cer-  
17 tified under section 5c(d).

18 “(c) ADDITIONAL REGISTRATIONS.—

19 “(1) WITH THE COMMISSION.—Any person re-  
20 quired to be registered as a digital commodity  
21 broker or digital commodity dealer may also be reg-  
22 istered as a futures commission merchant, intro-  
23 ducing broker, or swap dealer.

24 “(2) WITH THE SECURITIES AND EXCHANGE  
25 COMMISSION.—Any person required to be registered



1 as a digital commodity broker or digital commodity  
2 dealer under this section may register with the Secu-  
3 rities and Exchange Commission as a broker or deal-  
4 er, pursuant to section 15(b) of the Securities Ex-  
5 change Act of 1934, as applicable, if the broker or  
6 dealer limits its solicitation of orders, acceptance of  
7 orders, or execution of orders, or placing of orders  
8 on behalf of others involving any contract of sale to  
9 digital assets.

10 “(3) WITH A REGISTERED FUTURES ASSOCIA-  
11 TION REGISTRATION.—Any person required to be  
12 registered as a digital commodity broker or digital  
13 commodity dealer under this section shall register as  
14 such with a registered futures association.

15 “(4) REGISTRATION REQUIRED.—Any person  
16 required to be registered as a digital commodity  
17 broker or digital commodity dealer under this sec-  
18 tion shall register with the Commission as such re-  
19 gardless of whether the person is registered as such  
20 with another State or Federal regulator.

21 “(d) RULEMAKING.—

22 “(1) IN GENERAL.—The Commission shall pre-  
23 scribe such rules applicable to registered digital com-  
24 modity brokers and registered digital commodity  
25 dealers as are appropriate to carry out this section,

1 including rules in the public interest that limit the  
2 activities of digital commodity brokers and digital  
3 commodity dealers.

4 “(2) MULTIPLE REGISTRANTS.—The Commis-  
5 sion shall prescribe rules or regulations permitting,  
6 or may otherwise authorize, exemptions or additional  
7 requirements applicable to persons with multiple reg-  
8 istrations under this Act, including as futures com-  
9 mission merchants, introducing brokers, digital com-  
10 modity brokers, digital commodity dealers, or swap  
11 dealers, as may be in the public interest to reduce  
12 compliance costs and promote customer protection.

13 “(e) CAPITAL REQUIREMENTS.—

14 “(1) IN GENERAL.—Each registered digital  
15 commodity broker and registered digital commodity  
16 dealer shall meet such minimum capital require-  
17 ments as the Commission may prescribe to ensure  
18 that the digital commodity broker or digital com-  
19 modity dealer, respectively, is able to—

20 “(A) conduct an orderly wind-down of the  
21 activities of the digital commodity broker or  
22 digital commodity dealer, respectively; and

23 “(B) fulfill the customer obligations of the  
24 digital commodity broker or digital commodity

1 dealer, respectively, for any margined, lever-  
2 aged, or financed transactions.

3 “(2) RULE OF CONSTRUCTION.—Nothing in  
4 this section shall limit, or be construed to limit, the  
5 authority of the Securities and Exchange Commis-  
6 sion to set financial responsibility rules for a broker  
7 or dealer registered pursuant to section 15(b) of the  
8 Securities Exchange Act of 1934 (15 U.S.C. 78o(b))  
9 (except for section 15(b)(11) of such Act (15 U.S.C.  
10 78o(b)(11)) in accordance with section 15(c)(3) of  
11 such Act (15 U.S.C. 78o(c)(3)).

12 “(3) FUTURES COMMISSION MERCHANTS AND  
13 OTHER DEALERS.—

14 “(A) IN GENERAL.—Each futures commis-  
15 sion merchant, introducing broker, broker, and  
16 dealer shall maintain sufficient capital to com-  
17 ply with the stricter of any applicable capital  
18 requirements to which the futures commission  
19 merchant, introducing broker, broker, or dealer,  
20 respectively, is subject under this Act or the Se-  
21 curities Exchange Act of 1934 (15 U.S.C. 78a  
22 et seq.).

23 “(B) COORDINATION OF CAPITAL RE-  
24 QUIREMENTS.—

1 “(i) COMMISSION RULE.—The Com-  
2 mission shall, by rule, provide appropriate  
3 offsets to any applicable capital require-  
4 ment for a person with multiple registra-  
5 tions as a digital commodity dealer, digital  
6 commodity broker, futures commission  
7 merchant, or introducing broker.

8 “(ii) JOINT RULE.—The Commission  
9 and the Securities and Exchange Commis-  
10 sion shall jointly, by rule, provide appro-  
11 priate offsets to any applicable capital re-  
12 quirement for a person with multiple reg-  
13 istrations as a digital commodity dealer,  
14 digital commodity broker, futures commis-  
15 sion merchant, introducing broker, broker,  
16 or dealer.

17 “(f) REPORTING AND RECORDKEEPING.—Each reg-  
18 istered digital commodity broker and registered digital  
19 commodity dealer—

20 “(1) shall make such reports as are required by  
21 the Commission by rule or regulation regarding the  
22 transactions, positions, and financial condition of the  
23 digital commodity broker or digital commodity deal-  
24 er, respectively;

1 “(2) shall keep books and records in such form  
2 and manner and for such period as may be pre-  
3 scribed by the Commission by rule or regulation; and

4 “(3) shall keep the books and records open to  
5 inspection and examination by any representative of  
6 the Commission.

7 “(g) DAILY TRADING RECORDS.—

8 “(1) IN GENERAL.—Each registered digital  
9 commodity broker and registered digital commodity  
10 dealer shall maintain daily trading records of the  
11 transactions of the digital commodity broker or dig-  
12 ital commodity dealer, respectively, and all related  
13 records (including related forward or derivatives  
14 transactions) and recorded communications, includ-  
15 ing electronic mail, instant messages, and recordings  
16 of telephone calls, for such period as the Commission  
17 may require by rule or regulation.

18 “(2) INFORMATION REQUIREMENTS.—The daily  
19 trading records shall include such information as the  
20 Commission shall require by rule or regulation.

21 “(3) COUNTERPARTY RECORDS.—Each reg-  
22 istered digital commodity broker and registered dig-  
23 ital commodity dealer shall maintain daily trading  
24 records for each customer or counterparty in a man-

1       ner and form that is identifiable with each digital  
2       commodity transaction.

3           “(4) AUDIT TRAIL.—Each registered digital  
4       commodity broker and registered digital commodity  
5       dealer shall maintain a complete audit trail for con-  
6       ducting comprehensive and accurate trade recon-  
7       structions.

8       “(h) BUSINESS CONDUCT STANDARDS.—

9           “(1) IN GENERAL.—Each registered digital  
10      commodity broker and registered digital commodity  
11      dealer shall conform with such business conduct  
12      standards as the Commission, by rule or regulation,  
13      prescribes related to—

14           “(A) fraud, manipulation, and other abu-  
15      sive practices involving spot or margined, lever-  
16      aged, or financed digital commodity trans-  
17      actions (including transactions that are offered  
18      but not entered into);

19           “(B) diligent supervision of the business of  
20      the registered digital commodity broker or dig-  
21      ital commodity dealer, respectively; and

22           “(C) such other matters as the Commis-  
23      sion deems appropriate.

1 “(2) BUSINESS CONDUCT REQUIREMENTS.—

2 The Commission shall, by rule, prescribe business  
3 conduct requirements which—

4 “(A) require disclosure by a registered dig-  
5 ital commodity broker and registered digital  
6 commodity dealer to any counterparty to the  
7 transaction (other than an eligible contract par-  
8 ticipant) of—

9 “(i) information about the material  
10 risks and characteristics of the digital com-  
11 modity;

12 “(ii) information about the material  
13 risks and characteristics of the transaction;

14 “(B) establish a duty for such a digital  
15 commodity broker and such a digital commodity  
16 dealer to communicate in a fair and balanced  
17 manner based on principles of fair dealing and  
18 good faith;

19 “(C) establish standards governing digital  
20 commodity platform marketing and advertising,  
21 including testimonials and endorsements; and

22 “(D) establish such other standards and  
23 requirements as the Commission may determine  
24 are—

25 “(i) in the public interest;

1 “(ii) appropriate for the protection of  
2 customers; or

3 “(iii) otherwise in furtherance of the  
4 purposes of this Act.

5 “(3) SPECIAL REQUIREMENTS FOR DIGITAL  
6 COMMODITY BROKERS OR DEALERS ACTING AS ADVI-  
7 SORS.—It shall be unlawful for a registered digital  
8 commodity broker or registered digital commodity  
9 dealer to—

10 “(A) employ any device, scheme, or artifice  
11 to defraud any customer or counterparty;

12 “(B) engage in any transaction, practice,  
13 or course of business that operates as a fraud  
14 or deceit on any customer or counterparty; or

15 “(C) engage in any act, practice, or course  
16 of business that is fraudulent, deceptive, or ma-  
17 nipulative.

18 “(i) DUTIES.—

19 “(1) RISK MANAGEMENT PROCEDURES.—Each  
20 registered digital commodity broker and registered  
21 digital commodity dealer shall establish robust and  
22 professional risk management systems adequate for  
23 managing the day-to-day business of the digital com-  
24 modity broker or digital commodity dealer, respec-  
25 tively.



1           “(2) DISCLOSURE OF GENERAL INFORMA-  
2           TION.—Each registered digital commodity broker  
3           and registered digital commodity dealer shall dis-  
4           close to the Commission information concerning—

5                   “(A) the terms and conditions of the trans-  
6                   actions of the digital commodity broker or dig-  
7                   ital commodity dealer, respectively;

8                   “(B) the trading operations, mechanisms,  
9                   and practices of the digital commodity broker  
10                  or digital commodity dealer, respectively;

11                  “(C) financial integrity protections relating  
12                  to the activities of the digital commodity broker  
13                  or digital commodity dealer, respectively; and

14                  “(D) other information relevant to trading  
15                  in digital commodities by the digital commodity  
16                  broker or digital commodity dealer, respectively.

17           “(3) ABILITY TO OBTAIN INFORMATION.—Each  
18           registered digital commodity broker and registered  
19           digital commodity dealer shall—

20                   “(A) establish and enforce internal systems  
21                   and procedures to obtain any necessary infor-  
22                   mation to perform any of the functions de-  
23                   scribed in this section; and

24                   “(B) provide the information to the Com-  
25                  mission, on request.

1           “(4) CONFLICTS OF INTEREST.—Each reg-  
2           istered digital commodity broker and digital com-  
3           modity dealer shall implement conflict-of-interest  
4           systems and procedures that—

5                   “(A) establish structural and institutional  
6           safeguards—

7                           “(i) to minimize conflicts of interest  
8                           that might potentially bias the judgment or  
9                           supervision of the digital commodity broker  
10                          or digital commodity dealer, respectively,  
11                          and contravene the principles of fair and  
12                          equitable trading and the business conduct  
13                          standards described in this Act, including  
14                          conflicts arising out of transactions or ar-  
15                          rangements with affiliates (including affili-  
16                          ates acting as issuers, market-makers, or  
17                          custodians), which may include information  
18                          partitions and the legal separation of dif-  
19                          ferent digital commodity transaction inter-  
20                          mediaries; and

21                          “(ii) to ensure that the activities of  
22                          any person within the firm relating to re-  
23                          search or analysis of the price or market  
24                          for any digital commodity or acting in a  
25                          role of providing exchange activities or

1 making determinations as to accepting ex-  
2 change customers are separated by appro-  
3 priate informational partitions within the  
4 firm from the review, pressure, or over-  
5 sight of persons whose involvement in prie-  
6 ing, trading, exchange, or clearing activi-  
7 ties might potentially bias their judgment  
8 or supervision and contravene the core  
9 principles of open access and the business  
10 conduct standards described in this Act;  
11 and

12 “(B) address such other issues as the  
13 Commission determines to be appropriate.

14 “(5) ANTITRUST CONSIDERATIONS.—Unless  
15 necessary or appropriate to achieve the purposes of  
16 this Act, a digital commodity broker or digital com-  
17 modity dealer shall not—

18 “(A) adopt any process or take any action  
19 that results in any unreasonable restraint of  
20 trade; or

21 “(B) impose any material anticompetitive  
22 burden on trading or clearing.

23 “(j) DESIGNATION OF CHIEF COMPLIANCE OFFI-  
24 CER.—

1           “(1) IN GENERAL.—Each registered digital  
2           commodity broker and registered digital commodity  
3           dealer shall designate an individual to serve as a  
4           chief compliance officer.

5           “(2) DUTIES.—The chief compliance officer  
6           shall—

7                   “(A) report directly to the board or to the  
8                   senior officer of the registered digital com-  
9                   modity broker and registered digital commodity  
10                  dealer;

11                   “(B) review the compliance of the reg-  
12                   istered digital commodity broker and registered  
13                   digital commodity dealer with respect to the  
14                   registered digital commodity broker and reg-  
15                   istered digital commodity dealer requirements  
16                   described in this section;

17                   “(C) in consultation with the board of di-  
18                   rectors, a body performing a function similar to  
19                   the board, or the senior officer of the organiza-  
20                   tion, resolve any conflicts of interest that may  
21                   arise;

22                   “(D) be responsible for administering each  
23                   policy and procedure that is required to be es-  
24                   tablished pursuant to this section;

1 “(E) ensure compliance with this Act (in-  
2 cluding regulations), including each rule pre-  
3 scribed by the Commission under this section;

4 “(F) establish procedures for the remedi-  
5 ation of noncompliance issues identified by the  
6 chief compliance officer through any—

7 “(i) compliance office review;

8 “(ii) look-back;

9 “(iii) internal or external audit find-  
10 ing;

11 “(iv) self-reported error; or

12 “(v) validated complaint; and

13 “(G) establish and follow appropriate pro-  
14 cedures for the handling, management response,  
15 remediation, retesting, and closing of non-  
16 compliance issues.

17 “(3) ANNUAL REPORTS.—

18 “(A) IN GENERAL.—In accordance with  
19 rules prescribed by the Commission, the chief  
20 compliance officer shall annually prepare and  
21 sign a report that contains a description of—

22 “(i) the compliance of the registered  
23 digital commodity broker and registered  
24 digital commodity dealer with respect to  
25 this Act (including regulations); and

1 “(ii) each policy and procedure of the  
2 registered digital commodity broker and  
3 registered digital commodity dealer of the  
4 chief compliance officer (including the code  
5 of ethics and conflict of interest policies).

6 “(B) REQUIREMENTS.—The chief compli-  
7 ance officer shall ensure that a compliance re-  
8 port under subparagraph (A)—

9 “(i) accompanies each appropriate fi-  
10 nancial report of the registered digital  
11 commodity broker and registered digital  
12 commodity dealer that is required to be  
13 furnished to the Commission pursuant to  
14 this section; and

15 “(ii) includes a certification that,  
16 under penalty of law, the compliance re-  
17 port is accurate and complete.

18 “(k) SEGREGATION OF DIGITAL COMMODITIES.—

19 “(1) HOLDING OF CUSTOMER ASSETS.—

20 “(A) IN GENERAL.—Each registered dig-  
21 ital commodity broker and registered digital  
22 commodity dealer shall hold customer money,  
23 assets, and property in a manner to minimize  
24 the risk of loss to the customer or unreasonable

1 delay in customer access to the money, assets,  
2 and property of the customer.

3 “(B) QUALIFIED DIGITAL COMMODITY  
4 CUSTODIAN.—Each registered digital com-  
5 modity broker and registered digital commodity  
6 dealer shall hold in a qualified digital com-  
7 modity custodian each unit of a digital com-  
8 modity that is—

9 “(i) the property of a customer or  
10 counterparty of the digital commodity  
11 broker or digital commodity dealer, respec-  
12 tively; or

13 “(ii) otherwise so required by the  
14 Commission to reasonably protect cus-  
15 tomers or promote the public interest.

16 “(2) SEGREGATION OF FUNDS.—

17 “(A) IN GENERAL.—Each registered dig-  
18 ital commodity broker and registered digital  
19 commodity dealer shall treat and deal with all  
20 money, assets, and property that is received by  
21 the registered digital commodity broker or reg-  
22 istered digital commodity dealer, or accrues to  
23 a customer as the result of trading in digital  
24 commodities, as belonging to the customer.

25 “(B) COMMINGLING PROHIBITED.—

1 “(i) IN GENERAL.—Except as pro-  
2 vided in clause (ii), each registered digital  
3 commodity broker and registered digital  
4 commodity dealer shall separately account  
5 for money, assets, and property of a digital  
6 commodity customer, and shall not com-  
7 mingle any such money, assets, or property  
8 with the funds of the digital commodity  
9 broker or digital commodity dealer, respec-  
10 tively, or use any such money, assets, or  
11 property to margin, secure, or guarantee  
12 any trades or accounts of any customer or  
13 person other than the person for whom the  
14 money, assets, or property are held.

15 “(ii) EXCEPTIONS.—

16 “(I) USE OF FUNDS.—

17 “(aa) IN GENERAL.—A reg-  
18 istered digital commodity broker  
19 or registered digital commodity  
20 dealer may, for convenience, com-  
21 mingle and deposit in the same  
22 account or accounts with any  
23 bank, trust company, derivatives  
24 clearing organization, or qualified  
25 digital commodity custodian



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1 money, assets, and property of  
2 customers.

3 “(bb) WITHDRAWAL.—The  
4 share of the money, assets, and  
5 property described in item (aa)  
6 as in the normal course of busi-  
7 ness shall be necessary to mar-  
8 gin, guarantee, secure, transfer,  
9 adjust, or settle a digital com-  
10 modity transaction with a reg-  
11 istered entity may be withdrawn  
12 and applied to such purposes, in-  
13 cluding the payment of commis-  
14 sions, brokerage, interest, taxes,  
15 storage, and other charges, law-  
16 fully accruing in connection with  
17 the digital commodity trans-  
18 action.

19 “(II) COMMISSION ACTION.—In  
20 accordance with such terms and con-  
21 ditions as the Commission may pre-  
22 scribe by rule, regulation, or order,  
23 any money, assets, or property of the  
24 customers of a registered digital com-  
25 modity broker or registered digital

1 commodity dealer may be commingled  
2 and deposited in customer accounts  
3 with any other money, assets, or prop-  
4 erty received by the digital commodity  
5 broker or digital commodity dealer,  
6 respectively, and required by the Com-  
7 mission to be separately accounted for  
8 and treated and dealt with as belong-  
9 ing to the customer of the digital com-  
10 modity broker or digital commodity  
11 dealer, respectively.

12 “(3) PERMITTED INVESTMENTS.—Money de-  
13 scribed in paragraph (2) may be invested in obliga-  
14 tions of the United States, in general obligations of  
15 any State or of any political subdivision of a State,  
16 in obligations fully guaranteed as to principal and  
17 interest by the United States, or in any other invest-  
18 ment that the Commission may by rule or regulation  
19 allow.

20 “(4) PROHIBITION.—It shall be unlawful for  
21 any person, including any derivatives clearing orga-  
22 nization or depository institution, that has received  
23 any money, securities, or property for deposit in a  
24 separate account or accounts as provided in para-  
25 graph (2) to hold, dispose of, or use any of the

1 money, assets, or property as belonging to the de-  
2 positing registered digital commodity broker, the de-  
3 positing registered digital commodity dealer, or any  
4 person other than the digital commodity customer of  
5 the digital commodity broker or digital commodity  
6 dealer, respectively.

7 “(5) CUSTOMER PROTECTION DURING BANK-  
8 RUPTCY.—

9 “(A) CUSTOMER PROPERTY.—All money,  
10 assets, or property described in paragraph (2)  
11 shall be considered customer property for pur-  
12 poses of section 761 of title 11, United States  
13 Code.

14 “(B) TRANSACTIONS.—A transaction in-  
15 volving a unit of a digital commodity occurring  
16 with a digital commodity dealer shall be consid-  
17 ered a ‘contract for the purchase or sale of a  
18 commodity for future delivery, on or subject to  
19 the rules of, a contract market or board of  
20 trade’ for purposes of the definition of a ‘com-  
21 modity contract’ in section 761 of title 11,  
22 United States Code.

23 “(C) BROKERS AND DEALERS.—A reg-  
24 istered digital commodity dealer and a reg-  
25 istered digital commodity broker shall be con-

1           sidered a futures commission merchant for pur-  
2           poses of section 761 of title 11, United States  
3           Code.

4           “(D) ASSETS REMOVED FROM SEGREGA-  
5           TION.—Assets removed from segregation due to  
6           a customer election under paragraph (5) shall  
7           not be considered customer property for pur-  
8           poses of section 761 of title 11, United States  
9           Code.

10          “(I) EXEMPTIONS.—In order to promote responsible  
11       economic or financial innovation and fair competition, or  
12       protect customers, the Commission may (on its own initia-  
13       tive or on application of the registered digital commodity  
14       broker or registered digital commodity exchange) exempt,  
15       unconditionally or on stated terms or conditions, or for  
16       stated periods, and retroactively or prospectively, or both,  
17       a registered digital commodity broker or registered digital  
18       commodity exchange from the requirements of this sec-  
19       tion, if the Commission determines that—

20               “(1)(A) the exemption would be consistent with  
21       the public interest and the purposes of this Act; and

22               “(B) the exemption will not have a material ad-  
23       verse effect on the ability of the Commission or the  
24       digital commodity exchange to discharge regulatory  
25       or self-regulatory duties under this Act; or

1 “(2) the registered digital commodity broker or  
2 registered digital commodity exchange is subject to  
3 comparable, comprehensive supervision and regula-  
4 tion by the appropriate government authorities in  
5 the home country of the registered digital commodity  
6 broker or registered digital commodity exchange, re-  
7 spectively.”.

8 **SEC. 407. EXCLUSION FOR ANCILLARY ACTIVITIES.**

9 The Commodity Exchange Act (7 U.S.C. 1 et seq.),  
10 as amended by the preceding provisions of this Act, is  
11 amended by inserting after section 4u the following:

12 **“SEC. 4v. EXCLUSION FOR ANCILLARY ACTIVITIES.**

13 “(a) IN GENERAL.—Notwithstanding any other pro-  
14 vision of this Act, a person shall not be subject to the  
15 regulatory requirements of this Act solely based on the  
16 person undertaking any ancillary activities.

17 “(b) EXCEPTIONS.—Subsection (a) shall not be con-  
18 strued to apply to the anti-manipulation, anti-fraud, or  
19 false reporting enforcement authorities of the Commission.

20 “(c) ANCILLARY ACTIVITIES DEFINED.—In this sec-  
21 tion, the term ‘ancillary activities’ means any of the fol-  
22 lowing activities related to the operation of a blockchain  
23 network:

24 “(1) Network transactions compilation, pool op-  
25 erating, relating, searching, sequencing, validating,

1 or acting in a similar capacity with respect to a dig-  
2 ital commodity transaction.

3 “(2) Providing computational work, or pro-  
4 curing, offering or utilizing network bandwidth, or  
5 other similar incidental services with respect to a  
6 digital commodity transaction.

7 “(3) Providing a user-interface that enables a  
8 user to read, and access data about a blockchain  
9 network, send messages, or otherwise interact with  
10 a blockchain network.

11 “(4) Developing, publishing, constituting, ad-  
12 ministering, maintaining, or otherwise distributing a  
13 blockchain network.

14 “(5) Developing, publishing, constituting, ad-  
15 ministering, maintaining, or otherwise distributing  
16 software or systems that create or deploy a hard-  
17 ware or software wallet or other system facilitating  
18 an individual user’s own personal ability to keep,  
19 safeguard, or custody the user’s restricted digital as-  
20 sets or related private keys.”.

1       **TITLE V—INNOVATION AND**  
2       **TECHNOLOGY IMPROVEMENTS**

3       **SEC. 501. CODIFICATION OF THE SEC STRATEGIC HUB FOR**  
4       **INNOVATION AND FINANCIAL TECHNOLOGY.**

5       Section 4 of the Securities Exchange Act of 1934 (15  
6       U.S.C. 78d) is amended by adding at the end the fol-  
7       lowing:

8       “(1) STRATEGIC HUB FOR INNOVATION AND FINAN-  
9       CIAL TECHNOLOGY.—

10       “(1) OFFICE ESTABLISHED.—There is estab-  
11       lished within the Commission the Strategic Hub for  
12       Innovation and Financial Technology (referred to in  
13       this section as the ‘FinHub’).

14       “(2) PURPOSES.—The purposes of FinHub are  
15       as follows:

16       “(A) To assist in shaping the approach of  
17       the Commission to technological advancements  
18       in the financial industry.

19       “(B) To examine FinTech innovations  
20       within capital markets, market participants,  
21       and investors.

22       “(C) To coordinate the response of the  
23       Commission to emerging technologies in finan-  
24       cial, regulatory, and supervisory systems.

1           “(3) DIRECTOR OF FINHUB.—FinHub shall  
2           have a Director who shall be appointed by the Com-  
3           mission, from among individuals having experience  
4           in both emerging technologies and Federal securities  
5           law and serve at the pleasure of the Commission.  
6           The Director shall report directly to the Commission  
7           and perform such functions and duties as the Com-  
8           mission may prescribe.

9           “(4) RESPONSIBILITIES.—FinHub shall—

10           “(A) foster responsible technological inno-  
11           vation and fair competition within the Commis-  
12           sion, including around financial technology, reg-  
13           ulatory technology, and supervisory technology;

14           “(B) provide internal education and train-  
15           ing to the Commission regarding financial tech-  
16           nology;

17           “(C) advise the Commission regarding fi-  
18           nancial technology that would serve the Com-  
19           mission’s oversight functions;

20           “(D) analyze technological advancements  
21           and the impact of regulatory requirements on  
22           financial technology companies;

23           “(E) advise the Commission with respect  
24           to rulemakings or other agency or staff action  
25           regarding financial technology;



1 “(F) provide businesses working in emerg-  
2 ing financial technology fields with information  
3 on the Commission, its rules and regulations;  
4 and

5 “(G) encourage firms working in emerging  
6 technology fields to engage with the Commis-  
7 sion and obtain feedback from the Commission  
8 on potential regulatory issues.

9 “(5) ACCESS TO DOCUMENTS.—The Commis-  
10 sion shall ensure that FinHub has full access to the  
11 documents and information of the Commission and  
12 any self-regulatory organization, as necessary to  
13 carry out the functions of FinHub.

14 “(6) REPORT TO CONGRESS.—

15 “(A) IN GENERAL.—Not later than Octo-  
16 ber 31 of each year after 2024, FinHub shall  
17 submit to the Committee on Banking, Housing,  
18 and Urban Affairs of the Senate and the Com-  
19 mittee on Financial Services of the House of  
20 Representatives a report on the activities of  
21 FinHub during the immediately preceding fiscal  
22 year.

23 “(B) CONTENTS.—Each report required  
24 under subparagraph (A) shall include—

1 “(i) the total number of persons that  
2 met with FinHub;

3 “(ii) the total number of market par-  
4 ticipants FinHub met with, including the  
5 classification of those participants;

6 “(iii) a summary of general issues dis-  
7 cussed during meetings with persons;

8 “(iv) information on steps FinHub  
9 has taken to improve Commission services,  
10 including responsiveness to the concerns of  
11 persons;

12 “(v) recommendations—

13 “(I) with respect to the regula-  
14 tions of the Commission and the guid-  
15 ance and orders of the Commission;  
16 and

17 “(II) for such legislative actions  
18 as the FinHub determines appro-  
19 priate; and

20 “(vi) any other information, as deter-  
21 mined appropriate by the Director of  
22 FinHub.

23 “(C) CONFIDENTIALITY.—A report under  
24 subparagraph (A) may not contain confidential  
25 information.

1 “(7) SYSTEMS OF RECORDS.—

2 “(A) IN GENERAL.—The Commission shall  
3 establish a detailed system of records (as de-  
4 fined under section 552a of title 5, United  
5 States Code) to assist FinHub in commu-  
6 nicating with interested parties.

7 “(B) ENTITIES COVERED BY THE SYS-  
8 TEM.—Entities covered by the system required  
9 under subparagraph (A) include entities or per-  
10 sons submitting requests or inquiries and other  
11 information to Commission through FinHub.

12 “(C) SECURITY AND STORAGE OF  
13 RECORDS.—FinHub shall store—

14 “(i) electronic records—

15 “(I) in the system required under  
16 subparagraph (A); or

17 “(II) on the secure network or  
18 other electronic medium, such as  
19 encrypted hard drives or back-up  
20 media, of the Commission; and

21 “(ii) paper records in secure facilities.

22 “(8) EFFECTIVE DATE.—This subsection shall  
23 take effect on the date that is 180 days after the  
24 date of the enactment of this subsection.”.

1 **SEC. 502. CODIFICATION OF LABCFTC.**

2 (a) IN GENERAL.—Section 18 of the Commodity Ex-  
3 change Act (7 U.S.C. 22) is amended by adding at the  
4 end the following:

5 “(c) LABCFTC.—

6 “(1) ESTABLISHMENT.—There is established in  
7 the Commission LabCFTC.

8 “(2) PURPOSE.—The purposes of LabCFTC  
9 are to—

10 “(A) foster responsible financial technology  
11 innovation and fair competition for the benefit  
12 of the American public;

13 “(B) serve as an information platform to  
14 inform the Commission about new financial  
15 technology innovation; and

16 “(C) provide outreach to financial tech-  
17 nology innovators to discuss their innovations  
18 and the regulatory framework established by  
19 this Act and the regulations promulgated there-  
20 under.

21 “(3) DIRECTOR.—LabCFTC shall have a Direc-  
22 tor, who shall be appointed by the Commission and  
23 serve at the pleasure of the Commission. Notwith-  
24 standing section 2(a)(6)(A), the Director shall re-  
25 port directly to the Commission and perform such

1 functions and duties as the Commission may pre-  
2 scribe.

3 “(4) DUTIES.—LabCFTC shall—

4 “(A) advise the Commission with respect  
5 to rulemakings or other agency or staff action  
6 regarding financial technology;

7 “(B) provide internal education and train-  
8 ing to the Commission regarding financial tech-  
9 nology;

10 “(C) advise the Commission regarding fi-  
11 nancial technology that would bolster the Com-  
12 mission’s oversight functions;

13 “(D) engage with academia, students, and  
14 professionals on financial technology issues,  
15 ideas, and technology relevant to activities  
16 under this Act;

17 “(E) provide persons working in emerging  
18 technology fields with information on the Com-  
19 mission, its rules and regulations, and the role  
20 of a registered futures association; and

21 “(F) encourage persons working in emerg-  
22 ing technology fields to engage with the Com-  
23 mission and obtain feedback from the Commis-  
24 sion on potential regulatory issues.

1           “(5) ACCESS TO DOCUMENTS.—The Commis-  
2           sion shall ensure that LabCFTC has full access to  
3           the documents and information of the Commission  
4           and any self-regulatory organization, as necessary to  
5           carry out the functions of LabCFTC.

6           “(6) REPORT TO CONGRESS.—

7                   “(A) IN GENERAL.—Not later than Octo-  
8                   ber 31 of each year after 2024, LabCFTC shall  
9                   submit to the Committee on Agriculture of the  
10                  House of Representatives and the Committee  
11                  on Agriculture, Nutrition, and Forestry of the  
12                  Senate a report on its activities.

13                  “(B) CONTENTS.—Each report required  
14                  under paragraph (1) shall include—

15                          “(i) the total number of persons that  
16                          met with LabCFTC;

17                          “(ii) a summary of general issues dis-  
18                          cussed during meetings with the person;

19                          “(iii) information on steps LabCFTC  
20                          has taken to improve Commission services,  
21                          including responsiveness to the concerns of  
22                          persons;

23                          “(iv) recommendations made to the  
24                          Commission with respect to the regula-  
25                          tions, guidance, and orders of the Commis-

1 sion and such legislative actions as may be  
2 appropriate; and

3 “(v) any other information determined  
4 appropriate by the Director of LabCFTC.

5 “(C) CONFIDENTIALITY.—A report under  
6 paragraph (A) shall abide by the confidentiality  
7 requirements in section 8.

8 “(7) SYSTEMS OF RECORDS.—

9 “(A) IN GENERAL.—The Commission shall  
10 establish a detailed system of records (as de-  
11 fined in section 552a of title 5, United States  
12 Code) to assist the Office in communicating  
13 with interested parties.

14 “(B) ENTITIES COVERED BY THE SYS-  
15 TEM.—The entities covered by the system of  
16 records shall include entities submitting re-  
17 quests or inquiries and other information to the  
18 Commission through the Office. Proprietary in-  
19 formation provided to the Office by entities or  
20 persons shall be subject to the disclosure re-  
21 strictions provided in section 8 of the Com-  
22 modity Exchange Act.

23 “(C) SECURITY AND STORAGE OF  
24 RECORDS.—The system of records shall store  
25 records electronically or on paper in secure fa-

1 cilities, and shall store electronic records on the  
2 secure network of the Commission and on other  
3 electronic media, such as encrypted hard drives  
4 and back-up media, as needed.”.

5 (b) CONFORMING AMENDMENTS.—Section  
6 2(a)(6)(A) of such Act (7 U.S.C. 2(a)(6)(A)) is amend-  
7 ed—

8 (1) by striking “paragraph and in” and insert-  
9 ing “paragraph,”; and

10 (2) by inserting “and section 18(c)(3),” before  
11 “the executive”.

12 (c) EFFECTIVE DATE.—The Commodity Futures  
13 Trading Commission shall implement the amendments  
14 made by this section (including complying with section  
15 18(c)(7) of the Commodity Exchange Act) within 180  
16 days after the date of the enactment of this Act.

17 **SEC. 503. CFTC-SEC JOINT ADVISORY COMMITTEE ON DIG-**  
18 **ITAL ASSETS.**

19 (a) ESTABLISHMENT.—The Commodity Futures  
20 Trading Commission and the Securities and Exchange  
21 Commission (in this section referred to as the “Commis-  
22 sions”) shall jointly establish the Joint Advisory Com-  
23 mittee on Digital Assets (in this section referred to as the  
24 “Committee”).

25 (b) PURPOSE.—



1 (1) IN GENERAL.—The Committee shall—

2 (A) provide the Commissions with advice  
3 on the rules, regulations, and policies of the  
4 Commissions related to digital assets;

5 (B) further the regulatory harmonization  
6 of digital asset policy between the Commissions;

7 (C) examine and disseminate methods for  
8 describing, measuring, and quantifying digital  
9 asset—

10 (i) decentralization;

11 (ii) functionality;

12 (iii) information asymmetries; and

13 (iv) transaction and network security;

14 and

15 (D) discuss the implementation by the  
16 Commissions of this Act and the amendments  
17 made by this Act.

18 (2) REVIEW BY AGENCIES.—Each Commission  
19 shall—

20 (A) review the findings and recommenda-  
21 tions of the Committee;

22 (B) each time the Committee submits a  
23 finding or recommendation to a Commission,  
24 promptly issue a public statement—

1 (i) assessing the finding or rec-  
2 ommendation of the Committee;

3 (ii) disclosing the action or decision  
4 not to take action made by the Commis-  
5 sion in response to a finding or rec-  
6 ommendation; and

7 (iii) the reasons for the action or deci-  
8 sion not to take action; and

9 (C) each time the Committee submits a  
10 finding or recommendation to a Commission,  
11 provide the Committee with a formal response  
12 to the finding or recommendation not later than  
13 3 months after the date of the submission of  
14 the finding or recommendation.

15 (c) MEMBERSHIP AND LEADERSHIP.—

16 (1) NON-FEDERAL MEMBERS.—

17 (A) IN GENERAL.—The Commissions shall  
18 appoint at least 20 nongovernmental stake-  
19 holders with a wide diversity of opinion and  
20 who represent a broad spectrum of interests  
21 representing the digital asset ecosystem, equally  
22 divided between the Commissions, to serve as  
23 members of the Committee. The appointees  
24 shall include—

25 (i) digital asset issuers;

1 (ii) persons registered with the Com-  
2 missions and engaged in digital asset re-  
3 lated activities;

4 (iii) individuals engaged in academic  
5 research relating to digital assets; and

6 (iv) digital asset users.

7 (B) MEMBERS NOT COMMISSION EMPLOY-  
8 EES.—Members appointed under subparagraph  
9 (A) shall not be deemed to be employees or  
10 agents of a Commission solely by reason of  
11 membership on the Committee.

12 (2) CO-DESIGNATED FEDERAL OFFICERS.—

13 (A) NUMBER; APPOINTMENT.—There shall  
14 be 2 co-designated Federal officers of the Com-  
15 mittee, as follows:

16 (i) The Director of LabCFTC of the  
17 Commodity Futures Trading Commission.

18 (ii) The Director of the Strategic Hub  
19 for Innovation and Financial Technology.

20 (B) DUTIES.—The duties required by  
21 chapter 10 of title 5, United States Code, to be  
22 carried out by a designated Federal officer with  
23 respect to the Committee shall be shared by the  
24 co-designated Federal officers of the Com-  
25 mittee.

1 (3) COMMITTEE LEADERSHIP.—

2 (A) COMPOSITION; ELECTION.—The Com-  
3 mittee members shall elect, from among the  
4 Committee members—

5 (i) a chair;

6 (ii) a vice chair;

7 (iii) a secretary; and

8 (iv) an assistant secretary.

9 (B) TERM OF OFFICE.—Each member  
10 elected under subparagraph (A) in a 2-year pe-  
11 riod referred to in section 1013(b)(2) of title 5,  
12 United States Code, shall serve in the capacity  
13 for which the member was so elected, until the  
14 end of the 2-year period.

15 (d) NO COMPENSATION FOR COMMITTEE MEM-  
16 BERS.—

17 (1) NON-FEDERAL MEMBERS.—All Committee  
18 members appointed under subsection (d)(1) shall—

19 (A) serve without compensation; and

20 (B) while away from the home or regular  
21 place of business of the member in the perform-  
22 ance of services for the Committee, be allowed  
23 travel expenses, including per diem in lieu of  
24 subsistence, in the same manner as persons em-  
25 ployed intermittently in the Government service

1 are allowed expenses under section 5703(b) of  
2 title 5, United States Code.

3 (2) NO COMPENSATION FOR CO-DESIGNATED  
4 FEDERAL OFFICERS.—The co-designated Federal of-  
5 ficers shall serve without compensation in addition  
6 to that received for their services as officers or em-  
7 ployees of the United States.

8 (e) FREQUENCY OF MEETINGS.—The Committee  
9 shall meet—

10 (1) not less frequently than twice annually; and

11 (2) at such other times as either Agency may  
12 request.

13 (f) DURATION.—Section 1013(a)(2) of title 5, United  
14 States Code, shall not apply to the Committee.

15 (g) TIME LIMITS.—The Commissions shall—

16 (1) adopt a joint charter for the Committee  
17 within 90 days after the date of the enactment of  
18 this section;

19 (2) appoint members to the Committee within  
20 120 days after such date of enactment; and

21 (3) hold the initial meeting of the Committee  
22 within 180 days after such date of enactment.

23 (h) FUNDING.—The Commissions may jointly fund  
24 the Committee.

1 **SEC. 504. MODERNIZATION OF THE SECURITIES AND EX-**  
2 **CHANGE COMMISSION MISSION.**

3 (a) SECURITIES ACT OF 1933.—Section 2(b) of the  
4 Securities Act of 1933 (15 U.S.C. 77(b)) is amended—

5 (1) in the heading, by inserting “INNOVATION,”  
6 after “EFFICIENCY,”; and

7 (2) by inserting “innovation,” after “effi-  
8 ciency,”.

9 (b) SECURITIES EXCHANGE ACT OF 1934.—Section  
10 3(f) of the Securities Exchange Act of 1934 (15 U.S.C.  
11 78(c)) is amended—

12 (1) in the heading, by inserting “INNOVATION,”  
13 after “EFFICIENCY,”; and

14 (2) by inserting “innovation,” after “effi-  
15 ciency,”.

16 (c) INVESTMENT ADVISERS ACT OF 1940.—Section  
17 2(c) of the Investment Advisers Act of 1940 (15 U.S.C.  
18 80a–2) is amended—

19 (1) in the heading, by inserting “INNOVATION,”  
20 after “EFFICIENCY,”; and

21 (2) by inserting “innovation,” after “effi-  
22 ciency,”.

23 **SEC. 505. STUDY ON DECENTRALIZED FINANCE.**

24 (a) IN GENERAL.—The Securities and Exchange  
25 Commission and the Commodity Futures Trading Com-

1 mission shall jointly carry out a study on decentralized  
2 finance that analyzes—

3 (1) the nature, size, role, and use of decentral-  
4 ized finance protocols;

5 (2) the operation of smart contracts that com-  
6 prise decentralized finance protocols;

7 (3) the interoperability of smart contracts and  
8 blockchain technology;

9 (4) the interoperability of smart contracts and  
10 software-based systems, such as websites and soft-  
11 ware wallets;

12 (5) the software-based governance systems  
13 through which decentralized finance may be adminis-  
14 tered or operated, including—

15 (A) whether the systems enhance or de-  
16 tract from—

17 (i) the decentralization of the decen-  
18 tralized finance; and

19 (ii) the inherent risks of the systems;  
20 and

21 (B) any procedures or requirements that  
22 would mitigate the risks identified in subpara-  
23 graph (A)(ii);

24 (6) the benefits of decentralized finance, includ-  
25 ing—

1 (A) operational resilience and interoper-  
2 ability of blockchain-based systems;

3 (B) market competition and innovation;

4 (C) transaction efficiency; and

5 (D) transparency and traceability of trans-  
6 actions; and

7 (7) the risks of decentralized finance, includ-  
8 ing—

9 (A) pseudonymity of users and trans-  
10 actions;

11 (B) lack of intermediaries; and

12 (C) cybersecurity vulnerabilities;

13 (8) the extent to which decentralized finance  
14 has integrated with the traditional financial markets  
15 and any potential risks to stability of such markets  
16 from the integration;

17 (9) how the levels of illicit activity in decentral-  
18 ized finance compare with the levels of illicit activity  
19 in traditional financial markets; and

20 (10) how decentralized finance may increase the  
21 accessibility of cross-border transactions.

22 (b) REPORT.—Not later than 1 year after the date  
23 of enactment of this Act, the Securities and Exchange  
24 Commission and the Commodity Futures Trading Com-  
25 mission shall jointly submit to the relevant congressional



1 committees a report that includes the results of the study  
2 required by subsection (a).

3 (c) GAO STUDY.—The Comptroller General of the  
4 United States shall—

5 (1) carry out a study on decentralized finance  
6 that analyzes the information described under para-  
7 graphs (1) through (10) of subsection (a); and

8 (2) not later than 1 year after the date of en-  
9 actment of this Act, submit to the relevant congres-  
10 sional committees a report that includes the results  
11 of the study required by paragraph (1).

12 (d) DEFINITIONS.—In this section:

13 (1) DECENTRALIZED FINANCE.—The term “de-  
14 centralized finance” means a system of software ap-  
15 plications that—

16 (A) are created through smart contracts  
17 deployed to permissionless blockchain tech-  
18 nology; and

19 (B) allow users to engage in financial  
20 transactions in a self-directed manner so that a  
21 third-party intermediary does not effectuate the  
22 transactions or take custody of digital assets of  
23 a user during any part of the transactions.

1 (2) RELEVANT CONGRESSIONAL COMMIT-  
2 TEES.—The term “relevant congressional commit-  
3 tees” means—

4 (A) the Committees on Financial Services  
5 and Agriculture of the House of Representa-  
6 tives; and

7 (B) the Committees on Banking, Housing,  
8 and Urban Affairs and Agriculture, Nutrition,  
9 and Forestry of the Senate.

10 **SEC. 506. STUDY ON NON-FUNGIBLE DIGITAL ASSETS.**

11 (a) The Secretary of Commerce shall, in consultation  
12 with the Office of Science and Technology Policy, the Se-  
13 curities and Exchange Commission, and the Commodity  
14 Futures Trading Commission carry out a study of non-  
15 fungible digital assets that analyzes—

16 (1) the nature, size, role, purpose, and use of  
17 non-fungible digital assets;

18 (2) the similarities and differences between non-  
19 fungible digital assets and other digital assets, in-  
20 cluding digital commodities and payments  
21 stablecoins, and how the markets for those digital  
22 assets intersect with each other;

23 (3) how non-fungible digital assets are minted  
24 by issuers and subsequently administered to pur-  
25 chasers;

1 (4) how non-fungible digital assets are stored  
2 after being purchased by a consumer;

3 (5) the interoperability of non-fungible digital  
4 assets between different blockchain networks;

5 (6) the scalability of different non-fungible dig-  
6 ital asset marketplaces;

7 (7) the benefits of non-fungible digital assets,  
8 including verifiable digital ownership;

9 (8) the risks of non-fungible tokens, including—

10 (A) intellectual property rights;

11 (B) cybersecurity risks; and

12 (C) market risks;

13 (9) whether and how non-fungible digital assets  
14 have integrated with traditional marketplaces, in-  
15 cluding those for music, real estate, gaming, events,  
16 and travel;

17 (10) any potential risks to such traditional mar-  
18 kets from such integration; and

19 (11) the levels and types of illicit activity in  
20 non-fungible digital asset markets.

21 (b) REPORT.—Not later than 1 year after the date  
22 of the enactment of this Act, the Secretary of Commerce,  
23 shall make publicly available a report that includes the re-  
24 sults of the study required by subsection (a).